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IN THE

Supreme Court of the United States

OCTOBER TERM 1958

NUMBER 443

G & G FISHING MAGNETS, INC., ET AL.,
Petitioners,

v.

K & G OIL TOOL AND SERVICE COMPANY, INC., ET AL.,
Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE SUPREME COURT OF THE STATE OF TEXAS

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PETITION FOR WRIT OF CERTIORARI TO THE SUPREME COURT OF THE STATE OF TEXAS

I. PETITION

G & G Fishing Magnets, Inc., G & G Fishing Tool Service, A. C. Green, A. C. Green, Jr. and C. P. Buckler, Petitioners herein, pray that a writ of certiorari issue to review the various judgments of the Supreme Court of the State of Texas in the captioned cause, entered March 12, 1958 and June 4, 1958, and the denial of a Motion for Rehearing entered July 16, 1958.

II. CITATIONS TO OPINIONS BELOW

The judgment of the trial court, unreported, is appended hereto at page 70 of the Appendix.

The opinion of the intermediate appellate court, the Texas Court of Civil Appeals sitting at Texarkana, Texas, is reported at 305 S.W. 2d 637 and 115 U.S.P.Q. 63 and is appended hereto at page 60 of the Appendix.

The opinion on original hearing of the captioned cause before Texas' court of last resort, the Texas Supreme Court, is reported at 314 S.W. 2d 782 and 117 U.S.P.Q. 54 and appears on page one of the Appendix hereto. The three opinions on Motion for Rehearing are reported at 314 S.W. 2d 791 and 117 U.S.P.Q. 471. These three opinions are appended hereto at pages 17, 21 and 22 of the Appendix.

The Texas Supreme Court judgment on original hearing appears in the Appendix at page 81, on first rehearing at page 82.

The Texas Supreme Court has certified (Appendix page 58):

> "That the substance of the issues in the captioned cause involving rights of inventors to prevent others from using their invention or trade secrets after publication of the secrets through the issuance of a patent, was decided by this Court in Hyde Corporation v. Huffines, A-6486; thus, the opinions of this Court in said *Hyde* case should be considered in connection with the opinions in the captioned cause, insofar as the *Hyde* opinions relate to the rights of inventors and trade secret owners to preclude others by injunction from using the inventions and trade secrets of such owners after a patent has issued which discloses such secrets. A copy of the opinions of this Court in said *Hyde Corporation* v. *Huffines*, A-6486, are hereby certified to be a part of the record in the captioned cause to the extent so applicable."

Consistent with the certification above that the *Hyde* opinions are a part of the record in the instant cause, the opinions in that case have been appended hereto at pages 23, 45 and 55 of the Appendix. The opinion on original hearing in the *Hyde* case is reported at 314 S.W. 2d 763 and 117 U.S.P.Q. 44. The various opinions on Motion for Rehearing in the *Hyde* case are reported at 314 S.W. 2d 776 and 117 U.S.P.Q. 466.

The July 16, 1958 judgment of the Texas Supreme Court in the captioned cause was a simple denial, without opinion, of a Second Motion for Rehearing, and is reproduced at page 84 of the Appendix.

III. JURISDICTION

The judgment and opinions of the Texas Supreme Court on original hearing was entered March 12, 1958; the judgment and opinions on First Motion for Rehearing was entered June 4, 1958; the final judgment, being on Second Motion for Rehearing (which motion was permitted, received and considered in view of the new opinions on First Motion for Rehearing) was denied July 16, 1958. The Texas Supreme Court is Texas' court of last resort, and the foregoing constitutes that Court's final judgment on the merits.

As more fully developed in the foregoing paragraph entitled "Citations to Opinions Below", the opinions by the Texas Supreme Court in *Hyde Corp.* v. *Huffines* are certified to be a part of the ruling in the instant case and those opinions were rendered on the same dates as the opinions in the instant case, namely original opinion March 12, 1958, opinions on First Motion for Rehearing entered June 4, 1958, and denial of further rehearing July 16, 1958.

The jurisdiction is invoked under 28 U.S.C. §1257(3).

IV. THE QUESTIONS PRESENTED

Two federal questions, with appertinances, are presented:

First, whether it is lawful under state trade secret law for a party to become privileged, or for a state to enforce a privilege by in junction, to preclude others perpetually or for short terms from use of publicly known and/or patented inventions, in view of the patent law 35 USC.

This First issue we shorthand as **"trade secret v. patent law".**

Second, whether it is lawful under state trade secret law for a party to become obligated, or for a state to enforce an obligation by injunction, to refrain from competition in the use of publicly known and/or patented inventions in view of the provisions of the Sherman Act. 15 USC §1.

This Second issue we shorthand as **"trade secret v. anti-trust law".**

V. FEDERAL STATUTES INVOLVED

The patent law, Title 35 U.S.C. is in issue. Sections pertinent to this Petition for Writ, namely §101, 102, 154, are quoted in full in the Appendix at page 85-86.

The federal anti-trust law, particular Sherman Act 15 U.S.C. §1 is in issue. It is quoted at Appendix page 86 and provides:

> "Every contract, combination in the form of trust or otherwise, or conspiracy in restraint of trade or commerce among the several states, or with foreign nations, is declared to be illegal."

VI. STATEMENT OF THE CASE

Respondent Kirby devised a magnetic oil well fishing tool covered and disclosed by his U. S. patent 2,668,077 which is an un-numbered exhibit in this case. He exclusively licensed it to respondent K & G Oil Tool and Service Company. Both parties are hereinafter referred to as Kirby-K&G.

Kirby-K&G marketed this tool by lease and consignment arrangements to ALL major oil companies and six oil tool services companies BEFORE any complained of act by defendant-petitioners G&G et al. See Tr. 201 line 24 through 202 line 6.

Such lease and consignment marketing placed the tool in the custody and control of the marketees, and subjected the tool to full public view and examination including explanations of the tool by Kirby-G&G's own personnel. See Tr. 54-55; 410; 543; 686; 503; 600; 574 etc.

Kirby-K&G warehoused some tools in one of G&G et al's warehouses in Oklahoma, under an agreement by which G&G was permitted to run the tools for G&G customers on occasion and G&G did so.

For purposes of this petition for writ of certiorari (though without admitting the truth of the Statement) it may be considered that G&G agreed not to break open a Kirby-K&G tool and look at the inside of it and that G&G understood that the reason for this injunction by Kirby-K&G was an effort by Kirby-K&G to preserve a secret invention within the tool.

For purposes of this petition for writ (though without admitting the truth of the statement) it may further be considered and the jury so found, that some among G&G et al did break open the Kirby-K&G tool and learn its internal construction and built a competitive tool which G&G et al offered on the market.

The jury found in its finding 14 which is now the binding law of this case, being sustained by the last court, the Court of Civil Appeals, having jurisdiction over whether a finding is supported by the evidence, the following:

"That the internal construction of the K&G magnetic tool can be determined by an examination of the tool without disassembling it, to the extent that another tool can be constructed that would perform the same function by substantially the means employed in the K&G magnetic tool."

G&G advised Kirby-K&G of its plans to construct and market a magnetic fishing tool in the summer of 1952. Late that summer, when G&G got its first tools built, K&G took its tools out of the G&G warehouse and terminated their relationships and observed the G&G vigorous entry into the market throughout 1952 and 1953.

In September 1953, a year after G&G entered the market, during which year by Kirby's own estimate G&G invested $360,000 in tools, this suit was filed. (The Texas Supreme Court ruled against G&G's defense of laches for reasons which still puzzle the undersigned but laches is not a part of this Petition for Writ of Certiorari).

Kirby-K&G's patent 2,668,077, fully disclosing the Kirby-K&G tool and claiming a patent on that tool and variations thereof, issued February 2, 1954 after the filing of this suit but before the trial from which this petition descends.

The Texas trial and Supreme Courts (the Court of Civil Appeals to the contrary) ruled that the warehouse agreement between K&G and G&G gave rise to a confidential relationship as to "secret" construction of the Kirby-K&G tool, and that this confidential relationship carried with it (1) a perpetual contractual obligation by G&G not to make, use or sell that and similar tools and (2) a privilege of Kirby-K&G to preclude G&G et al from making, using and/or selling that and similar tools, on the theory that the life of proprietary rights in the "secret" construction of the tool was perpetual and transcends the issuance of the patent which disclosed the tool and dedicates it to the public after 17 years, and transcends the marketing of the tool as aforesaid which made it subject, per jury finding 14, to copying by those seeing it in the market place. See opinions, Appendix 1, 21, 23, 45 and 55.

The Texas Courts apparently felt that a secret could be "protected" even though it was no longer a secret, and that the information which once was secret but now is published and made public by the proprietors' own hand in marketing and in seeking the protection of the patent laws, remains subject to "protection" and injunction against use by one who improperly learned it or learned it in confidence, even though others have long since learned the "secret" and use it freely in their businesses. (The Court may take judicial notice of Civil Action 8005 in U.S. Dist. Ct. Southern Dist. of Tex., wherein Kirby-K&G charge over a dozen parties, including petitioners here, with use of their magnetic fishing tool), i.e. of their "Secret".

VII. HOW FEDERAL QUESTIONS PRESENTED

1. Trade Secret v. Patent Law

The federal question presented, stripped of its overtones, and phrased from the Kirby-K&G point of view, is:

> Can the plaintiff patentee have the right under *state* law to perpetually enjoin another from use of his publicly used, marketed and patented invention, which by the acts of so publicly using, marketing and patenting he dedicated to the public, subject only to his rights under the federal patent law?

The point in the District Court:

That issue has been inherently basic to this suit from the trial court through all the appeals and particularly from the offering in evidence of the patent to respondent Kirby which discloses publicly the entirety of his tool and all the parts thereof which any Petitioner has ever used.

Jury issue 14,* was a direct inquiry as to the degree of publication of the "secrets" that was effected by the marketing of the Kirby-K & G tool. It was uncontroverted that the tool had been marketed and the jury held in finding 14 that the internal construction of the K & G magnetic tool can be determined by an examination of the tool without disassembling it, to the extent that another tool can be constructed that would perform the same function by substantially the means employed in the K & G magnetic tool.

In defendant-petitioners' (G & G et al) brief to the trial court in support of its Motion for Judgment on the jury findings, an entire point "Third" (page 16) was entitled. "As a matter of law, disclosure (and both the marketing and the patent here constitute such disclosure) destroys any rights in the "secret" if any."

---

* Appendix p. 76-78.

In the same brief to the trial court, "Proposition 7" was entitled, "As a matter of law, no injunction can be obtained after public disclosure of the secret *by patent or otherwise.*"

Under that point various arguments presented included the following which appear on page 23 of G & G et al's Brief in Support of Motion for Judgment:

> "Thus, any possible liability for exploiting *whatever the patents* in suit *disclosed, ended with their issue*", this being a quotation of a 2nd circuit case denying trade secret or breach of confidence recovery after public disclosure by issuance of a patent.
>
> "Unlawful use of an invention after the issuance of a PATENT constitutes patent infringement and NOT VIOLATION OF A TRADE SECRET, notwithstanding the fact that a similar use of the invention prior to the issuance of the patent might have amounted to wrongful appropriation."

Plaintiff-respondents even filed a special April 4, 1956 memorandum in the trial court arguing in the second paragraph and subsequent pages:

> " . . . where a defendant has been found to have wrongfully obtained a trade secret, he should be permanently enjoined from use of the secret, even though the publication of the secret has been made *by grant of a patent.*"

And in G&G et al's Motion for New Trial, error 11 is phrased:

> "The Court erred in refusing defendants' motion for instructed verdict at the close of plaintiffs' evidence by failing to find as a matter of law, as timely requestion by defendants, that no injunction will lie after the public disclosure of the secret *by patent, by marketing,* or other means."

And in many other forms the issue was before the trial court.

Thus the patent vs. trade secret issue was clearly before the trial court in the arguments of both parties and in the jury issues.

The point in the Court of Civil Appeals:

Appellants Assignment of Error, Point 9 in its brief in that court was entitled as follows:

> "Error of the District Court in failing to rule as a matter of law, that no injunction can be obtained after public disclosure of the secret, if any, *by the issuance of plaintiff-appellees' own patent or otherwise.*"

In the eight pages of development of the point, appellants there, petitioners G & G et al here, argued among other things:

> "THE STATE COURTS LACK JURISDICTION to grant an injunction BECAUSE IT WOULD AMOUNT TO AN INVASION OF THE FEDERAL PATENT LAW, exclusive jurisdiction over which is in the federal courts." See Appellants brief page 46.

As to that point, the Court of Civil Appeals held:

> "Points 4, 5 *and 9 are sustained.*"

The point in the Supreme Court of Texas:

Petitioners Kirby-K & G there, respondents here, devoted there Assignment of Error, Point Six before the Supreme Court of Texas to:

> "The Court of Civil Appeals erred in holding that no *damages or injunctive* relief can be afforded Petitioners *after issuance of patent.*" See Petition for Writ of Error page 22, Appendix page 87.

Respondents there, petitioners G & G et al here, devoted their Counterpoint Six at page 36 of the Reply to the Petition for Writ of Error to the same subject concerning the

effect of the patent, and devoted their Counterpoint Five at page 27 of their Reply to the Petition for Writ of Error to the effect upon plaintiffs' right to damages and injunction, of other publication of their secret other than by patent.

The Supreme Court of Texas said in its original opinion in the instant case:

> "As to the injunction's extending beyond the date of issuance of the patent, our holdings in Hyde Corporation v. Huffines, this day decided, are applicable here." See Appendix page 13.

The Supreme Court of Texas has certified that on the issue trade secrets and relief after issuance of the patent, the *Hyde* opinion is to be considered a part of the record in this case (See Tex. Sup. Ct. Certificate of September 24, 1958). And in *Hyde* the Court wrote pages on the subject as exemplified by a few quotations:

> "Trade secrets as distinguished from patents are subject to protection under the equitable jurisdiction of the state courts." . . .
>
> "The Court characterized the trade secret cause of action as being entirely separate from that relating to a claimed patent infringement and repudiated the patent claim while recognizing the validity of the trade secret." . . .
>
> "NOR IS IT A VALID OBJECTION TO THE DECREE THAT IT ENJOINS THE USE OF A PROCESS OR DEVICE THAT HAS BEEN PATENTED . . . "
>
> " . . . awarded the respondent Huffines a perpetual injunction against Hyde Corporation restraining it from making use of any of the claims or devices contained in the original application for patent or the patent itself. This holding is in direct conflict with the holding of the Texarkana Court of Civil Appeals in

> G & G Fishing Tool Service v. K & G Oil Tool and Service Co., 305 S.W. 2d 637 (this day reversed . . .) wherein the Court followed Conmar Products Corp. v. Universal Slide Fastner Co., 2d Cir. Ct. of App. 172 F. 2d 150, in which it was held that AN INJUNCTION WOULD NOT ISSUE TO PROTECT 'TRADE SECRETS' AGAINST ONE WHO HAD OBTAINED THEM THROUGH A BREACH OF CONFIDENCE AFTER SUCH TRADE SECRETS HAD BEEN MADE PUBLIC THROUGH THE GRANT OF A PATENT. [The Court then went on to quote Learned Hand on the point]"

In the instant case the Court wrote again after First Motion for Rehearing, replying to which Motion for Rehearing Kirby-K & G stated,

> "The motions for rehearing filed herein *raise no new issues*; but instead reiterate matters HERETOFORE EXHAUSTIVELY BRIEFED, ARGUED AND DECIDED adversely to such contentions."

With this confirmation from respondents Kirby-K & G that nothing new was in the Motion for Rehearing (which Motion drew new opinions with a dissent on the federal question) we further direct your attention to points in the Motion for Rehearing:

> "VI. The U. S. Constitution and congressional acts have occupied the field of granting rights to exclude others from use of inventions." See Motion for Rehearing Table of Contents.

and on page 54

> "The Court erred in granting an injunction after the issuance of the patent because, inter alia, the federal government has exclusive jurisdiction over protection of inventions within the public knowledge."

In the arguments under such points, the patent laws, 35 U.S.C. were quoted and argued (See Motion for Rehearing.

which Kirby-K&G confess to contain no new issues, pages 54 et seq.).

In writing a new opinion on the motion for rehearing, the Texas Supreme Court, Justice Walker dissenting, reaffirmed its earlier opinion above quoted from on this federal question, deciding adversely to G & G's claimed rights under federal law.

• • •

Thus it is beyond question that throughout this case, the issue we shorthand as "trade secret v. patent law", the issue of rights of citizens under the federal patent law to use inventions when placed in the public knowledge by either patent or otherwise, was properly before the various Texas Courts which have rendered various judgments thereon.

And the Texas Supreme Court, having heard and considered the issue, decided the cause adversely to Petitioner G & G et als' rights under the federal law, though with dissents.

Trade Secret v. Federal Anti-trust Law

The courts, district, intermediate appellate, and the Supreme Court of Texas, have all had presented to them, this proposition:

That the plaintiff-respondents, Kirby-K&G, in this suit seek to enforce a contractual obligation, allegedly implied in law, that petitioners G&G et al could not lawfully contract for, for such obligation (not do business with tools similar to Kirby's tool) violates the anti-trust laws.

The Point in the Trial Court:

The point was argued in the Motion for Judgment in the trial court as Proposition Number 5 by quoting *Wissman v. Boucher*, 240 S.W. 2d 278 at 280, Texas Supreme Court, 1951, as follows:

> "It [that which Plaintiff K&G seeks] is essentially the same as an agreement not to compete. Clearly it was in restraint of trade and therefore not enforceable if unreasonable in its terms. Restatement, Contracts, Secs. 513, 514. Restraints of trade unlimited as to both time and space are generally held to be unreasonable (Citations). Here there is no limitation on either. There is not even a limitation to competition against the plaintiff. For aught that appears, the restraint would operate even though the plaintiff went out of business. Furthermore, since the plaintiff obviously did not, and in the nature of things could not, have similar agreements with even a substantial percentage of the countless other machinists in Texas and elsewhere that might well learn about his pole (or fishing magnet tool) and legally duplicate it, no reasonable social interest appears to be served by allowing the plaintiff to restrict the defendants in so doing."

Defendant-petitioners G&G et al felt and still believe that 1951 Texas Supreme Court language applies as well to the instant case as to the *Wissman* case involving the design of a collapsible, telescoping fishing pole and walking stick which had been marketed.

Among pertinent assignments of error on Motion for New Trial we find:

> "The court erred . . . in failing to find as a matter of law that assuming the contract did exist as alleged by plaintiffs, same would essentially be an agreement not to compete uplimited as to both time and space, therefore unreasonable in its terms and not enforceable in law."

The district court decided the issue against defendant-petitioners.

The Court of Civil Appeals:

In the Court of Civil Appeals, appellants there, petitioners G&G et al here, devoted their entire Point 4, commenc-

ing at page 26, to this anti-trust issue. The Court of Civil Appeals in its opinion held "*Points 4*, 5 and 9 *are sustained*".

The Supreme Court of Texas:

The anti-trust issue was not raised in the respondents Kirby-K&G's Petition for Writ of Error to the Texas Supreme Court, and the omission of this controlling point from the Petition for Writ of Error was pointed out in the G&G et al Reply to Petition for Writ of Error at page 14 and 15. G&G et al argued again the *Wissman* language, above quoted, without express reference at this time to the Sherman Act.

In its original opinion in the instant case, the Texas Supreme Court spoke only casually on the anti-trust issue which was not properly before them because of its omission from the Kirby-K&G Petition for Writ of Error (even though expressly in the opinion appealed from). The Texas Supreme Court said:

> "Nor does the injunction run counter to a public policy which discourages contracts which tend to lessen competition."

On Motion for Rehearing, of which Kirby-K&G said:

> "The motions for rehearing filed herein . . . raise no new issues, but instead reiterate matters heretofore exhaustively briefed, argued and decided adversely to such contentions. The case having been heretofore fully developed, the respective motions should be denied."

— on that Motion for Rehearing, G&G et al again developed, this time more fully with quotations from the Sherman Act per se, the point that after public disclosure of the secret, an injunction against competing as entered by the trial court and a contract not to compete were equally forbidden under the anti-trust laws, specifically 15 U.S.C. §1.

After time for reply to that motion for rehearing had elapsed, THEN and only then, Kirby-K&G filed a motion to Amend Petition for Writ of Error adding the anti-trust issue to the issues before the Texas Supreme Court. See page 6, Point Eighth, of the Kirby-K&G Amendment to Petition for Writ of Error, Appendix page 91-92.

The Texas Supreme Court in ruling on the Motion for Rehearing also granted the motion to Amend the Petition for Writ of Error (see Appendix page 17) and thus for the first time was the anti-trust issue properly before the Texas Supreme Court — after the original opinion and after the motion for rehearing in which the Sherman Act itself was expressly quoted and argued.

It must be admitted that Kirby-K&G in bringing the anti-trust issue before the Texas Supreme Court after the original opinion and Motion for Rehearing arguing the Sherman Act, limited their expression to the anti-trust laws of the State of Texas, Appendix 91. And such was the emphasis of all parties up to the motion for rehearing, excepting that the full language of the *Wissman* case above quoted was argued always and vigorously and that language is founded upon the general public policy which is common to both Texas and federal anti-trust laws. So also, the Texas Supreme Court language in the instant case above quoted, is broad to the general public policy expressed in the anti-trust laws and is not limited to the Texas laws.

The point then is this:

The issue of the anti-trust and restraint of trade laws was always in the case in the courts below and was decided by them, but in the regular sense of the words was not in the Texas Supreme Court (being not assigned as error).

(1) until after the original opinion of the Texas Supreme Court which opinion gave the issue cursory expres-

sion in language generic to both Texas and federal anti-trust laws, and

(2) until *after the motion for rehearing quoting and arguing the Sherman Act itself* when the Amendment to the Petition for Writ of Error was accepted.

and thereafter the Texas Court again ruled with a written opinion.

Moreover, in view of the unequivocal and clearly applicable language of the modern 1951 *Wissman* decision of the unanimous Texas Supreme Court, G&G et al had every logical reason to believe that the Texas Supreme Court would follow itself on the issue without the need for burdening briefs with quotations of every statute, state *and federal*, that expressed the *same* public policy so well known to every lawyer and judge as to be as elementary as the abc's. When the Texas Court did fail to follow its unanimous 1951 *Wissman* decision, G&G et al did quote and argue the Sherman act *per se*, 15 U.S.C. §1.

Following which, in ruling on the Motion for Rehearing, the Texas Supreme Court adopted by reference its original opinion wherein appears:

> "Nor does the injunction run counter to a public policy which discourages contracts which tend to lessen competition."

The writer cannot honestly say, and does not believe, that the Texas Supreme Court expressly read and debated and considered the Sherman Act language as such, apart from the general public policy referred to in the above quotation. In fact, expressions of members of the Texas Supreme Court not a part of the record before you are to the effect that they did not.

But the public policy issue was argued to and decided by that court, and the specifics of, with quotations from the Sherman Act were argued to the Texas Supreme Court on rehearing following which Kirby-K&G confessed that no new issue was raised, and the Texas Court relied upon the general public policy and thereafter adopted again its earlier opinion with the language above.

To Kirby-K&G the Sherman Act and the general public policy of the anti-trust laws, Texas and otherwise, were one and the same issue in this case — or they were lying to the court when they said no new issue was presented in the Motion for Rehearing and this I do not suggest that they did or would do.

To G&G et al the Sherman Act and the general public policy of the anti-trust laws, Texas and otherwise, were one and the same issue in substance.

Moreover G&G et al were frankly surprised to see the Texas Supreme Court in its original opinion dismiss so superficially its clear, positive unanimous 1951 ruling in *Wissman* re the general public policy of the anti-trust laws and only then felt it necessary to argue the elementary background for that public policy so well known to all, namely the language of the Sherman Act.

—o—

It is apparent that the decision of the Texas Supreme Court does deny G&G et al the rights and privileges granted by the Sherman Act as one of the expressions of public policy of the anti-trust laws.

Under the circumstances outlined above, where the basic public policy issue was presented and argued below and ruled upon by the Trial Court and Court of Civil Appeals, and where the basic issue was written upon by the Texas

Supreme Court without express reference to the Sherman Act per se but the Sherman Act was argued to that court with subsequent argument by Kirby-K&G that no new issue was raised, following which the Court restated by reference its earlier ruling, then the federal question of the rights of petitioners under the Sherman Act as applied to this case, is a proper question for this honorable court to review.

VIII. REASONS FOR GRANTING THE WRIT

1. There is a conflict among Courts of Appeal and other courts:

The conflict among courts is evidenced by the Texas Supreme Court's own opinion wherein it is stated, page 40 of Appendix hereto:

> "We are not unmindful of the fact that cogent arguments may be marshalled upon both sides of the existing controversy which has resulted in a conflict of decisions among our own [Texas] Courts of Civil Appeals, *as well as the federal Circuit Courts of Appeals*".

The Texas Supreme Court quoted, Appendix page 37, at length from Judge Learned Hand in *Conmar Products* v. *Universal Slide Fastener*, 172 F. 2d 150 (CA 2nd 1949) as representaive of one long line of authority, and from *Adolph Gottscho, Inc.* v. *American Marking Corp.*, 114 Atl. 2d 438 (New Jersey Sup. Ct. 1955), as representative of the contrary view.

Learned Hand pointed out the conflict in *Conmar Products* v. *Universal Slide Fastener Co.*, 172 F. 2d 150, 155, by referring to a Sixth and a Seventh Circuit decision, and saying, "We have twice refused to follow this doctrine [of the Sixth and Seventh Circuits]; and we adhere to our decision."

In the *Adolph Gottscho* case itself, the New Jersey Supreme Court cites modern cases from the following courts on the Kirby-K&G side: 2nd Circuit; 3rd Circuit; 6th Circuit; 7th Circuit; Oregon; Colorado.

Aligned on the G & G et al side in basic and fundamental concept are the 1st Circuit in 1957[1]; N. J. Eq 1942[2]; Tex. Civil Appeals, 1936 and 1957[3]; 2nd Circuit 1949[4]; Missouri 1939[5]; 5th Circuit 1944 and 1958[6]; 2nd Circuit 1951[7]; 7th Circuit 1954[8]; 8th Circuit 1944 and 1945[9] among others.

These cases all deal at least in part with rights in trade "secrets" which are no longer secrets but which have been published by patenting or otherwise.

If ever there was a case of clear conflict among state Courts and among the Circuits, and an uncertain and confusing conflict, it is submitted that this issue of rights on trade secrets that are no longer secret is among the most in conflict.

This court has never exercised its jurisdiction on the merits of the issue here presented in a published trade "secret" case. In *Dupont* v. *Masland*, 244 U.S. 100, this Court spoke in a case involving efforts to *preserve a still existing* secret but not on rights in secrets already published by patent and the like. In *Becher* v. *Contoure Labs*, 279 U.S. 338, 1928, the Supreme Court, in an opinion oft misunder-

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[1] *Irizarry* v. *President and Fellows of Harvard College et al*, 248 F. 2d 799 (C.A. 1st 1957).

[2] *Carver* v. *Harr*, 27 A. 2d 895 (N.J. 1942).

[3] *Brown and Root* v. *Jaques*, 98 S.W. 2d 257 (Tex. Civ. App. 1936); *G & G* v. *K & G*, 305 S.W. 2d 637 (Tex. Civ. App. 1957).

[4] *Conmar Products Corp.* v. *Universal Slide Fastener Co.*, 172 F. 2d 150 (C.A. 2nd 1949).

[5] *Godefroy Mfg. Co.* v. *Lady Lennox Co.*, 134 S.W. 2d 140 (Mo. Ct. of Appeals 1939).

[6] *Newport Industries, Inc.* v. *Crosby Naval Stores, Inc. et al*, 139 F 2d 611 (C.A. 5th 1944); *Kinnear-Weed Corporation* v. *Humble Oil and Refining Company*, 150 F. Supp. 143, D.C. E.D. Tex., 1956, aff'd Sept. 22, 1958 by 5th Cir. F. 2d

[7] *Schreyer* v. *Casco Products Corp.*, 190 F. 2d 921 (C.A. 2nd 1951).

[8] *Skoog* v. *McCray Refrigerator Co.*, 211 F. 2d 254 (C.A. 7th 1954).

[9] *Sandlin* v. *Johnson*, 141 F. 2d 660 (C.A. 8th 1944) and *Sandlin* v. *Johnson*, 152 F. 2d 8 (C.A. 8th 1945).

stood and misquoted, said that state courts have jurisdiction to hear breach of confidence cases but ruled not as to what remedies such state courts could mete out with respect to secrets published in patents or otherwise. In *Becher* the Court said, among other contradictory things, "The subject matter of Oppenheimer's claim was an UNdisclosed invention." But these decisions are not on the issue here presented, excepting insofar as *Becher* has been mis-quoted on the subject, even in its headnote.

Consistent with the foregoing, it is submitted that this Court's expression on the issue here presented is now due, if not long overdue.

2. The decision below and those it follows, are contrary to the law announced by the U. S. Supreme Court.

While this court has not spoken in a trade secret case, on the role of the patent law or Sherman Act in conflict with trade "secrets", this Court has announced, *since Becher*, clearly and unequivocally its construction of the patent law in terms applicable to the instant case, saying that a manufacturer may not bind himself "by contract" or "by *any* action" to refrain from using an invention, and that "*whatever legal device is employed*" an obligation *not to use inventions disclosed in patents* is contrary to the patent law.

The point is well made in your *Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U.S. 249, 254 et seq, 90 L. Ed. 47, 51 et seq (U. S. Sup. Ct. 1945):

> "The nature and extent of the legal consequences of the expiration of a patent are federal questions the answers to which are to be derived from the patent laws . . .
>
> ". . . the means adopted by Congress of promoting the progress of science and the arts is the limited grant, **of the patent monopoly *in return for the full disclosure of the patented invention* AND ITS DEDICATION TO THE PUBLIC ON EXPIRATION OF THE PATENT** [citations].
>
> The aim of the patent laws is not only that members

of the public shall be free to manufacture the product or employ the process disclosed by the expired patent, but also that the consuming public at large shall receive the benefits of the unrestricted exploitation by others of its disclosures [citations].

"If a manufacturer or user could restrict himself, by EXPRESS CONTRACT, OR BY ANY ACTION WHICH WOULD GIVE RISE TO AN ESTOPPEL FROM USING THE INVENTION OF AN EXPIRED PATENT, HE WOULD DEPRIVE HIMSELF AND THE CONSUMING PUBLIC OF THE ADVANTAGE TO BE DERIVED FROM HIS FREE USE OF THE DISCLOSURES . . .

"HENCE ANY ATTEMPTED RESERVATION OR CONTINUATION OF THE PATENT MONOPOLY, AFTER THE PATENT EXPIRES, WHAT EVER LEGAL DEVICE IS EMPLOYED, RUNS COUNTER TO THE POLICY AND PURPOSE OF THE PATENT LAWS . . .

"The patent laws . . . dedicate to *all* the public the ideas and inventions embodied in an expired patent. They DO NOT CONTEMPLATE THAT ANYONE BY CONTRACT OR IN ANY FORM OF PRIVATE ARRANGEMENT MAY WITHHOLD FROM THE PUBLIC THE USE OF AN INVENTION FOR WHICH THE PUBLIC HAS PAID BY ITS GRANT OF A MONOPLY and which has been appropriated to the use of all. *The rights in the invention are then no longer subject to private barter, sale, or waiver.*"

"*. . . The interest of private good faith is not a universal touchstone which can be made the means of sacrificing a public interest secured by an appropriate exercise of the legislative power.*"

Yet the Texas Courts implied in law a "contractual obligation" (see Tex. Sup. Ct. opinion, appendix page 13) of G&G et al in direct conflict with the foregoing U. S. Supreme Court construction of the U. S. patent laws, and enjoined permanently (including the period after expiration of the Kirby patent) the use of the Kirby patented invention.

This was error, was disregard of federal patent law, and should be reversed by this Court granting this Petition for Writ and deciding the case on its merits.

3. There is confusion in the law which makes it impossible for lawyers to advise their clients with reasonable certainty, and which uncertainty kills desirable and worthwhile business endeavor.

A casual reading of the various cases will reveal much of the uncertainty, but will hardly suggest the desirable business deals which fall through because of it.

In the undersigned's own personal practice, two negotiations toward financing the exploitation and offering to the public of inventions have fallen through since the Texas Supreme Court decisions in the instant and *Hyde* cases, BECAUSE OF THE UNCERTAINTY. If that experience is multiplied by even a small percentage of the lawyers in the country, the public loss each year is astronimical.

In one instance to which I refer, a patent application was licensed to a corporation which had defaulted on royalties, and was about to go bankrupt. A new financial backing was interested in buying the corporation, but was advised by counsel that the patent application could never mature into a patent offering substantial protection and the financial interest felt it could not afford to continue to pay, after competitors entered the field free of royalty costs, the 15% royalty called for in the license. Since the disclosure of the invention had been made to the failing corporation in the form of a confidential disclosure of a patent application, the financial interests realistically feared they might be sued and enjoined if they terminated the license under its terms after issuance of the patent, if any, and sought to put the business on its feet.

Thus a very questionable application for patent, of diminimus merit at best, being the subject of a confidential disclosure, killed the financial interest in rejuvenating the company because the financial interest feared the uncer-

tainty of the trade secret law after publication by patent. The patent coverage they could get good legal opinions on; but the trade "secret" coverage after issuance of the patent, they could not.

This is not an isolateed example. Every lawyer dealing with inventions and patents and licenses thereof fights this uncertainty daily, and almost monthly sees a business or desirable license negotiation fail or suffer seriously because of uncertainty in this field of law — rights in "secrets" that are no longer secrets but are patented or otherwise published.

This Court has it in its power to save most of such losses by clarifying the law of rights in "secrets" which are patented or otherwise published, and you are thus urged to do so.

4. The issue is a recurring "hot" issue reaching every technically progressive industrial firm in their daily business.

It is hardly necessary to point out that for every trade-"secret"-after-publication controversy that reaches the courts, there are hundreds that do not.

The cases already cited to illustrate the conflict reflect that the issue is a burning one in the courts all over the nation.

Dozens more cases could be cited since 1950, and all these many cases cited above are only representative of the conflict on the appellate level.

There is *currently pending* in a single division of the U. S. District Court, Southern District of Texas, four "patented-trade-secret" cases to the undersigned's own personal knowledge. Other local attorneys have discussed cases of the same nature pending in the Texas courts, concerning which cases the instant case has already been cited

in connection with Motions. Judge Yankwich, U. S. District Judge in Los Angeles, decided a "published trade-secret" case last month with a 76 page opinion as typed.

The United States Patent Quarterly Digest 1957 Supp., lists over a dozen different trade secret cases reported in its recent quarterly volumes 112, 113 and 114 — a dozen reported in 9 months suggests five dozen settled without trial and hundreds before suit was filed. And the great majority concern in substantial part, "secrets" which are no longer secret but have been published in a patent or otherwise.

5. Some Courts are making of the state trade "secret" law a monster "protector" of patented inventions beyond even the widest dreams of the constitution writers.

Perpetual obligations to refrain from using knowledge dedicated to the public after 17 years in a patent, are contrary to the patent law and federal anti-trust laws but are being enforced in such manner as to create a super-patent law by the states.

We cite the *Hyde Corporation* v. *Huffines* case, opinions at pages 23, 45, 55 of the Appendix hereof, as one example wherein a party never knew it was binding itself for life to stay out of a line of business or pay tribute to Huffines, but it has been so enjoined. Whatever Huffines proper remedy, it was not a perpetual injunction.

So in the instant case, whatever Kirby-K & G's proper remedy, it was not a permanent injunction of a patented item,—for such remedy violates the patent law and the Sherman Act as later developed.

And fear of permanent injunctions even after all your competitors know and use a secret, fear of being placed at a competitive disadvantage forever, these fears cause business men to refuse to negotiate to market secret inven-

tions lest they learn a secret they are thereafter forever barred from using even when it is no longer secret and their competitors are using it.

Hence, we submit the issues are important to the business and industrial community as a whole, throughout the United States, and that this Court should speak on the issues.

6. The decision below in the instant case and those it follows are wrong in law and in equitable principle.

Certiorari should be granted in this case regardless of whether the decision is wrong or not, because of the extreme confusion and uncertainty in the law as it now stands, because of the conflict of the decisions, the conflict with the law announced by this Court, and most important because of the great importance of the issues in daily business transactions throughout industry.

But we should, it seems, at least cursorily indicate also the error of the decision below beyond the extent previously discussed. The emphasis here is on the *role of the patent law as to published secrets not patented* and which patents have not expired, and the equitable principles.

We start with basic premises:

1. That in our nation every man has full and complete freedom to do as he pleases, except

(a) where the state in its role as referee in the conflicts of freedoms of various persons limits a freedom, and

(b) where the individual acting within the law creates a limitation upon his freedom by contractual obligation.

2. That all knowledge which is common and publicly known, is free for all to use as they see fit and there can be no proprietary right in knowledge excepting,

(a) to the extent that knowledge can be possessed, as can tangible real and personal property, and

(b) to the extent that the state has by patent and copyright law created a proprietary right in it.

"Possession" is the power to exclude others from use and enjoyment.

Intellectual properties, the mental product of authors and inventors, are capable of "possession" only to the extent that they can be kept secret. To tell a secret, to publish it, is to lose it — it evaporates as morning fog before the high noon sun, and who knows whither it has gone.

• • •

Thus in the field of literary property there has grown what jurisprudence now terms the "common law copyright" relating to UNpublished works of which copies have not been made and marketed. So long as an author does not make and market copies of his manuscript, he has a common law right to prevent others, including those whom he lets read a copy, from copying it.

But upon publication of his manuscript by making and marketing copies, his power to "possess" the work is lost and his common law right to prevent copying is also lost — by the publication he dedicated his intellectual work to the public.

So Congress acted and provided a law as to published works, the U. S. copyright law, 17 U.S.C. Under this law the author may obtain for a LIMITED time the right "to prevent others from reproducing the copyrighted work" even though it has been published.[10]

• • •

So it is in the field of inventions, that the common law of trade secrets has grown up to protect the UNpublished invention; and Title 35 U.S.C. relating to *published* inven-

[10] See Yankwich, Judge, "Some Observation on Publication in the Law of Copyright", 5 Bulletin of Copyright Society 329, August 1958.

tions, has been enacted granting inventors by letters patent "the right to exclude others from making, using or selling the invention" (35 U.S.C. 154).

Even the word "patent" is derived from the Latin "patere" meaning "to be open" and the dictionaries still define "letters patent" in terms of "open letter" and the courts so rule.[11]

• • •

Per 35 U.S.C. 154 the patent is merely the limited 17 year "right to exclude others from making, using or selling the invention." And 35 U.S.C. §102 (Appendix page 85) provides that no inventor shall have a patent — no inventor shall have the right to exclude others from use of his invention — if the invention has been

"patented . . . ."
"described in a printed publication . . . "
"in public use . . . "
"on sale . . . "
etc.

Uncontroverted and clearly 35 U.S.C. has thus concerned itself with inventions that have been "published", inventions that have been "patented", inventions that have been "in public use" or "on sale". All these things apply to the Kirby-K&G tool.[12] Congress has *occupied this field* of rights in tools so treated as the Kirby-K&G tool.

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[11] See Funk & Wagnalls Standard Dictionary; and Century Dictionary and Cyclopedia which states: "Letters patent are so called because they were commonly addressed by the sovereign to all subjects at large and were not sealed up like a secret commission, but open, ready to be shown to whom it might concern."

The earliest reported case found by the undersigned which defines "patent" in our patent laws is *Brooks et al* v. *Norcross et al*, 2 Fish. Pat. Cas. 601, Fed. Case 1,957 in which the court said with respect to a provision in the Patent Act of 1836: "The word "patented" as here used must of course mean covered and made known to the world by a public patent *so as to bring home to the public generally and probably*, a knowledge of its existence."

[12] The Kirby-K&G tool has been "in public use" since BEFORE the first contact with petitioners G&G et al. This is uncontroverted, see Tr. 54, 55, 410, 503, 543, 575, 600, 686, etc.

That tool has also been on "sale" in the sense of being leased and consigned to customers who use the tool for themselves or their customers. Tr. same pages.

35 U.S.C. says an inventor (Kirby-K&G, shall NOT be entitled to a patent, i.e., to a right to exclude others from making, using or selling the invention, if it has been in public use for a year prior to the patent application date.

But the Texas Supreme Court has already excluded G&G perpetually without checking to see whether the requirements of 35 U.S.C. were met.

> "A STATE MAY NOT PROHIBIT THE EXERCISE OF RIGHTS WHICH THE FEDERAL ACTS PROTECT." *California* v. *Taylor*, 353 U.S. 553 (1957).
>
> "It has long been the rule that EXCLUSION OF STATE ACTION may be implied from the nature of the legislation and the subject matter, although express declaration of such result is wanting. *Napier* v. *Coast Line Railroad Company*, 272 U.S. 605." Quoted from *Bethlehem Steel* v. *New York State Labor Relations Board*, 330 U.S. 767, 772 (Sup. Ct. 1956).

In *Hill* v. *Florida*, 325 U.S. 538, the state enjoined a labor union from functioning until it had complied with certain state-law requirements. The Wagner Act however had *occupied this field* and this Honorable Court therefore *struck down the state court injunction.*

Hill v. *Florida, supra,* has been followed and quoted from by this court in many recent cases in various fields of law.[13]

Congress having occupied the field of rights of inventors to exclude others from use of their invention insofar as they are "published", "in public use", etc., and hence *no longer secret*, the Texas Court's injunction must be stricken down

[13] See for example, *Hines* v. *Davidowitz*, 312 U.S. 52, 66 (1940), wherein you stated:

> ". . . and where the federal government, in the exercise of its superior authority in the field, has enacted a complete scheme of regulations and has therein provided a standard for the registration of aliens, states CANNOT inconsistently with the purpose of Congress, conflict or interfere with, curtail *or complement*, the federal law OR ENFORCE ADDITIONAL OF AUXILIARY REGULATIONS."

See also *Weber* v. *Anheuser-Busch, Inc.*, 348 U.S. 468, 474 (1954) and *California* v. *Taylor*, 353 U.S. 553 (1957).

for his invention was "in public use" BEFORE any act by petitioners G&G et al.

• • •

The equity of this view:

There is sound and compelling equity in this view which is well stated in two modern Second Circuit decisions.[14] In *Schreyer*[14] the secret disclosed in confidence was as to processes of manufacture but the confidential information was "substantially disclosed by the issuance of the patent".

The court refused both damages and injunction after the "substantial" disclosure, excepting such damages in the nature of enrichment as may have resulted from use of the confidential *source* of information rather than the public source — such enrichment as may have resulted from (1) the defendant's having been accelerated in his entry into the business, or (2) having saved in engineering costs in his entry into the business.[15]

So we come to *proximate cause*. The wrong committed by G&G et al per jury findings was getting the information by a wrongful route, the jury also finding that there was a public route in jury finding 14. Appendix p. 6.

That wrong has no proximate causal connection to G&G et al's profits which the trial court awarded, but has a proximate causal connection *only* to that portion of the profits which resulted from the savings of engineering expense and the acceleration in getting into the business over what

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[14] *Schreyer* v. *Casco Products*, 190 F. 2d 921 (C.A. 2d 1951); *Conmar Products Corp* v. *Universal Slide Fastener Co.*, 172 F. 2d 150, (C.A. 2nd 1949).

[15] Note further than in *Schreyer* the court held it was the plaintiff's burden to prove the value gained by the defendant by use of the confidential source as contrasted to the public source of information.

would have resulted had the public source of information been used.

Learned Hand[16] expresses the issue thusly:

> "The doctrine [of granting relief to 'secret'-owners after publication of the secret] must rest upon the theory that it is a proper penalty for the original wrong to deny the wrongdoer resort to the patent [or other public source of the 'secret']; and FOR THAT WE CAN FIND NO SUPPORT IN PRINCIPLE. THUS, ANY POSSIBLE LIABILITY FOR EXPLOITING WHATEVER THE PATENTS [or other publication] DISCLOSED, ENDED WITH THEIR ISSUE."

The point is that any relationship of confidence re a secret necessarily terminates with expiration of the secret.

When the secret is published, there is no longer a **res**, no longer a thing to preserve in confidence.

And this Court has announced the unquestioned law that injunctions are remedial only, and *are not to be used for punitive purposes. Hecht* v. *Bowles*, 321 U.S. 321 (U.S. Sup. Ct. 1944).

Since after publication of the secret (as Kirby-K&G did before G&G ever acted) there is no longer a *res* to be protected, an injunction is punishment in the purest form — particularly a permanent injunction.

So whatever the value of the wrong that may have been committed in breaking open a tool and looking inside, an injunction is not now remedial of that wrong and is affirmatively punitive and UNequitable.

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[16] *Conmar Products Corp.* v. *Universal Slide Fastener Co.*, 172 F 2d 150 (C.A. 2nd 1949).

The anti-trust point:

This point is most concisely stated in the quotation from the Texas Supreme Court's 1951 opinion in *Wissman* v. *Boucher*, 240 S.W. 2d 278, which appears on pages 14-15 of this Petition for Writ, and which we here urge you to re-read.

The Sherman Act, 15 U.S.C. §1 provides:

> "EVERY CONTRACT, combination in the form of trust or otherwise, or conspiracy in restraint of trade or commerce among the several states, or with foreign nations, is declared to be illegal."[17]

This federal Act, as construed from *Addyston Pipe and Steel* v. *U. S.*, 175 U.S. 211 (1899) to date, forbids contracts by which one party agrees not to compete in some particular with another.

Thus G&G could not lawfully have expressly contracted to forever stay out of competition with Kirby-K&G with similar tools. Yet the Texas Supreme Court has expressly found a "contractual obligation" (appendix page 13) to forever stay out of competition even though G&G never so contracted or intended to contract or bind itself.

So it is apparent that this Court's opinion in the *Scott Paper* case[18] is equitable and sound as applied to any invention that has been in "public use", "published", etc., as well as those that have been patented.

> *"The interest of private good faith is not a universal touchstone which can be made the means of sacrificing a public interest secured by an appropriate exercise of*

[17] That commerce among the states is here involved is evident from the fact that Kirby-K&G are a Texas outfit whose contact with G&G et al was in an Oklahoma warehouse, and from both parties extensive marketing in several states.

the legislative power [— the Patent Act 35 U.S.C. and the Sherman Act 15 U.S.C.]".[18]

• • •

IX. THIS CASE MAY BE DECIDED WITHOUT HEARING

Before this case is decided adversely to Petitioners, Petitioners desire to be heard orally and present more complete briefs on the merits, and no doubt Respondent's feel the same way.

On the other hand, it seems abudantly clear to the undersigned that this Court's *Scott Paper* opinion[18] applies to the facts of this case and all trade "secret" cases wherein an invention has been in "public use" etc.

If this Court concurs in that view then perhaps this is a case wherein the Court might consider granting the Writ and Reversing without more, announcing such rule of no liability after public use, thereby saving the parties unnecessary expense in record printing and briefing and travel to Washington, etc. And the announcement of such rule would resolve the conflicts among the Courts and perform the various purposes which we submit compel the granting of the Writ.

[18] *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 257 (U.S. Sup. Ct. 1945).

X. CONCLUSION

WHEREFORE, Petitioners pray that this petition for Writ of Certiorari be granted, and if the Court think it just, that the judgment below be reversed in its entirety and rendered.

.....

TOM ARNOLD

248 Esperson Building
Houston 2, Texas
Attorney for Petitioners

Of Counsel:

ARNOLD AND STIDHAM
248 Esperson Building
Houston 2, Texas

XI. CERTIFICATE OF SERVICE

The undersigned, Tom Arnold, hereby certifies that this .....day of October, 1958, a true copy of the foregoing was served upon Cooper Ragan, Robert Eikel and John Russel, Counsel for Respondents, and has been mailed by regular first class mail to each of Respondents, John H. Kirby II and K & G Oil Tool and Service Company, Inc. at their last known addresses 2302 Colquitt, Houston, Texas, and 2703 Sackett, Houston, Texas, respectively.

.....

TOM ARNOLD

XII. ENTRY OF APPEARANCE

The undersigned, Tom Arnold, 248 Esperson Building, Houston 2, Texas, a member of the Bar of the Supreme Court of the United States, hereby enters his appearance in the captioned cause on behalf of G & G Fishing Magnets, Inc., G & G Fishing Tool Service, G & G Drill Collar Service, A. C. Green, A. C. Green, Jr. and C. P. Buckler, Petitioners. The firm of Arnold and Stidham, 248 Esperson Building, Houston, Texas, is of counsel.

.....

TOM ARNOLD
Attorney for Petitioners

APPENDIX

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No. A-6577

IN THE SUPREME COURT OF TEXAS

K & G Oil Tool & Service Co., Inc., et al,
Petitioners,
v.
G & G Fishing Tool Service, et al,
Respondents.

From Harris County
Sixth District

OPINION ON ORIGINAL HEARING

This is a "trade secret" case which is in some respects similar to *Hyde Corporation* v. *Huffines*, this day decided. At the conclusion of a jury trial the district court rendered judgment for $22,000 against defendants, G & G Fishing Tool Service and others and issued an injunction perpetually restraining defendants from wrongfully copying, making and using a magnetic fishing tool which was substantially the same as the tool devised by plaintiff, John J. Kirby II and manufactured by his licensee and co-plaintiff, K & G Oil Tool & Service Co., Inc. The magnetic tool was a device for recovering parts of broken drilling bits, drill stems and other foreign metallic materials from oil wells. The Court of Civil Appeals reversed the judgment of the trial court and rendered judgment that plaintiffs take nothing. *See G & G Fishing Tools Service v. K & G Oil Tool and Service Co., Inc.*, 305 S.W. 2d 627.

The plaintiffs in the trial court, K & G Oil Tool & Service Company, Inc. and John J. Kirby, II brought the case here as petitioners and writ of error was granted because of our tentative opinion that *Wissman v. Boucher*, 150 Tex. 326, 240 S.W. 2d 278 did not control this case. The decision of the Court of Civil Appeals was also contrary to that of the Fort Worth Court in *Hyde Corporation v. Huffines*, 303 S.W. 2d 865 (this day affirmed) as to the propriety of grant-

ing an injunction extending beyond the date of the issuance of a patent.

While other contentions are presented in the briefs, such as the application of the equitable doctrine of laches and the sufficiency of the injunctive decree which call for some discussion, the two matters above mentioned are deemed controlling. Primarily for the reasons stated in our opinion affirming the Fort Worth Court in *Hyde Corporation* v. *Huffines*, we are in agreement with the trial court upon the injunction feature of the case. We have likewise concluded that the magnetic tool here involved cannot properly be placed in the same category with the collapsible fishing reel of *Wissman* v. *Bouchér* insofar as ease of reproduction is concerned. Other matters urged by respondents as the prevailing parties in the Court of Civil Appeals do not call for a reversal of the trial court's judgment and hence these holdings require that the judgment of the Court of Civil Appeals be reversed and that of the trial court affirmed.

It appears that John J. Kirby, II had been working upon a magnetic fishing tool for a number of years. He secured one patent on January 30, 1951 and in August of the same year he filed another application. An amended or additional application was filed on January 30, 1952 which was described as being in part a continuation of the application of the preceding August. The 1952 application referred to the device as a "Magnetic Fishing Tool" and described the same as follows:

> "This invention pertains to tools for removing undesired materials from a well and more particularly to a magnetic tool for fishing magnetic junk out of a hole in the earth drilled by the rotary method, from which hole oil or gas is to be produced. * * *
>
> "It is the principal object of the invention to provide a magnetic fishing tool which will be more efficient in the removal of junk.

"A more specific object of the invention is to provide a magnetic fishing tool in which the distribution of the magnetic field is controlled so as to make it more effective for holding magnetic junk.

"A further object of the invention is to provide a magnetic fishing tool having fluid circulation means for clearing mud and detritus away from the magnetic junk wherein the fluid path is so positioned as to have a more effective field of action.

"Still another object of the invention is to provide a magnetic fishing tool having a rotary shoe for clearing heavy and consolidated materials away from the magnetic junk wherein the shoe is positioned so its field of mechanical action cooperates more effectively with the magnetic and fluid-dynamic fields.

"Another object of the invention is to provide a magnetic fishing tool which is more rugged and durable and better protected against accidental damage.

"A further object of the invention is to provide a magnetic fishing tool which will more firmly hold the magnetic junk or fish.

"Another object of the invention is to provide a magnetic fishing tool capable of holding a larger number of separate fish.

"Still another object of the invention is to provide a magnetic fishing tool which will more nearly assure a one hundred percent removal of all the junk.

"Another object of the invention is to provide a magnetic fishing tool that is more easily manufactured and repaired and maintained."

It appears that the idea of using a magnet to remove "fish" or metallic substances from the hole of a drilling well was not new to the oil industry. Articles concerning the use of a magnet for such purposes had appeared in technical journals prior to the date of business negotiations between the parties to this litigation. In fact the record discloses that some five or six patents upon magnetic de-

vices for removing foreign metallic matter from well holes had been applied for or issued prior to March of 1951. A number of these inventions bore the same descriptive designation as that used by Kirby, namely, a "Magnetic Fishing Tool." It further seems that the Metallurgy Division of the Chemical Department of the General Electric Corporation had widely advertised a magnet made of metal which was called "Alnico." These magnets were said to be suitable for a number of uses, such as holding necktie racks in place, providing fasteners for metal doors and removing nails from parking areas and driveways. It appears that the Kirby tool utilized an Alnico magnet as an effective feature in its operation.

In 1951 K & G Oil Tool & Service Co., Inc. was formed and licensed by Kirby to manufacture his magnetic tools and some of them were leased for oil field use. In the early part of 1952 K & G entered into an agreement with G & G Fishing Tools Service whereby G & G agreed to sub-lease the K & G tool to drilling operators for twenty-five per cent of the rentals charged. K & G also leased from G & G certain space in a warehouse located in Duncan, Oklahoma for the storage of its magnetic tools.

The jury made a number of special issues findings as to agreements between K & G and G & G as well as actions taken by G & G in violation of such agreements. The jury found:

1. That during March 1952 it was mutually agreed between Robert Garrett (representing K & G) and Cecil Bond (representing G & G) that during the time the G & G Fishing Tool Service was handling the K & G magnetic fishing tool, no one was to disassemble said tool.

2. That, in making such agreement, it was mutually understood that the purpose of such agreement was to

guard against anyone determining the internal construction of the tool by way of examining the interior thereof.

3. That, at some time before August 15, 1952, the G & G Fishing Tool Service, acting by or through some of its agents, servants, incorporators or directors, disassembled the K & G fishing tool for the purpose of making an examination thereof.

4. That such act was done for the purpose of making an examination of the interior construction of the K & G tool in question.

5. That a K & G magnetic fishing tool was disassembled by the G & G Fishing Tool Service, acting by or through some of its agents, servants or representatives, for the purpose of making a similar tool.

6. That the defendant G & G Fishing Tool Service, acting through its agents, servants or representatives, used the information obtained by disassembling the K & G magnetic fishing tool to make one substantially the same as the K & G magnetic tool.

7. That the fishing tool constructed from information gained by disassembling the K & G tool is substantially the same tool that is now being used by the G & G Fishing Tool Service, G & G Fishing Magnets, Inc., and their affiliated interests in their operations.

8. That before March 1952 the internal construction of the K & G magnetic fishing tool was not known to persons engaged in the oil well fishing tool business.

The defensive issues submitted and their answers were as follows:

9. "Do you find from a preponderance of the evidence that the G & G Magnetic Fishing Tool was constructed from information obtained exclusively from

sources other than the disassembly, if any, of the K & G Magnetic Fishing Tool? Answer: We do not.

10. "When do you find from a preponderance of the evidence that plaintiffs or either of them or their officers acquired knowledge that A. C. Green, Jr., (connected with G & G) was making a magnetic fishing tool? Answer: August, 1952.

11. "Do you find from a preponderance of the evidence that from the date that you have stated in response to Special Issue No. 9, *Sic.* (10) to the date of the filing of this suit, the plaintiffs or either of them or their officers knew that the defendants were manufacturing magnetic fishing tools? Answer: We do.

12. "Do you find from a preponderance of the evidence that the plaintiffs or either of them or their officers were familiar in a general way with the cost of the manufacturing of magnetic fishing tools such as those which were being manufactured by the defendants herein? Answer: We do.

13. "Do you find from a preponderance of the evidence that the plaintiffs or their representatives, either before or during the use of the warehouse at Duncan, Oklahoma by the K & G Oil Tool and Service Company, Inc., ever disclosed to any person, other than employees or others in a confidential relationship, the internal construction of the K & G magnetic fishing tool? Answer: We do not.

14. "Do you find from a preponderance of the evidence that the internal construction of the K & G magnetic tool can be determined by an examination of the tool without disassembling it, to the extent that another tool can b constructed that would perform the same function by substantially the means employed in the K & G magnetic tool? Answer: We do."

Special Issue No. 15 related to damages.

The trial judge upon motion disregarded the jury's answer to Special Issue No. 14 on the ground that there was no evidence to raise such issue or to sustain the finding of the jury thereon and because such interrogatory did not constitute an ultimate fact issue in the case. Judgment was accordingly rendered for petitioner-plaintiffs.

The Court of Civil Appeals was of the opinion that petitioners' magnetic fishing tool was not subject to protection as a "trade secret", primarily because of the jury's answer to Special Issue No. 14. There were witnesses who testified that they could reconstruct the Kirby tool without first disassembling it. It may be that they could, but this hardly reaches the controlling point or issue in the case. According to the jury's findings, which were not attacked, G & G did not learn how to make the Kirby tool or a device similar thereto by observing it in an assembled or unbroken condition but learned of its internal proportions, qualities and mechanisms by taking it apart despite an agreement that it would not do so. We have here the violation of a confidence and the breach of a contract. Under such circumstances, the injured party is entitled to full relief, both legal and equitable, unless there exists some compelling reason of public policy or practicability which directs the withholding of such relief.

The factual situation disclosed by the jury's findings is not new to American jurisprudence. The basis of the trade secret case is a "breach of a contract or wrongful disregard of confidential relationships." *Becher* v. *Contoure Laboratories*, 279 U.S. 388, ... S. Ct. ....., 73 L. ed. 752; *E. I. Du Pont de Nemours Powder Co.* v. *Masland*, 244 U.S. 100, ... S. Ct. ....., 61 L. ed. 1016. In *Smith* v. *Dravo Corporation*, 203 F. 2d 369 the Seventh Circuit Court of Appeals had occasion to examine a factual situation similar to that before us. While the federal court's jurisdiction depended

upon a diversity of citizenship and it was primarily concerned with the law of the State of Pennsylvania, we think the statements of law contained therein correctly represent the prevailing American rule upon the question and hence we quote somewhat at length therefrom. In the opinion the Court of Appeals said:

> "* * * In Pressed Steel Car Co. v. Standard Steel Car Co., 210 Pa. 464, 60 A. 4, 7, plaintiff sought to protect its secret construction design for railroad cars. These plans had been obtained by defendant through a known breach of confidence. It was urged by defendant that because it could have obtained the design from an inspection of the car (which was in public use) its use of knowledge gained through improper means would be condoned. In short, defendant suggested, as does defendant here, that the existence of a lawful means of acquiring the information precluded recovery for the employment of unlawful means. The court said:
>
> > "'* * * these engineers and draftsmen * * * should have been able to measure the cars made by the company, and to produce in a short time detailed and practical drawings from which the cars could be constructed. They did not do this, for the very obvious reason that blue prints of drawings were available and were accurate. * * *'
>
> "The court then affirmed recovery for the plaintiff.
>
> "Thus, Pennsylvania will not deny recovery merely because the design could have been obtained through inspection. Rather, the inquiry in that jurisdiction appears to be: How did defendant learn of plaintiffs' design? And this, we regard as the proper test. It recognizes the very nature of the type of wrong with which we are here concerned. Confidential business information is not given protection merely as a reward to its accumulator. If the creator is entitled to reward it is available to him in the patent and copyright stat-

utes. Nims, Unfair Competition and Trade Marks, Sec. 142. Instead our function is that of condemning 'the employment of improper means to procure the trade secret.' Restatement, Torts, Sec. 757, comment. Those who gain their information improperly are brought to book in recognition of 'the general principle that intentionally inflicted harm is actionable unless privileged.' Protection and Use of Trade Secrets, 64 Harv. L. Rev. 976.

"It is unquestionably lawful for a person to gain possession, through proper means, of his competitor's product and, through inspection and analysis, create a duplicate, unless, of course, the item is patented. But the mere fact that such lawful acquisition is available does not mean that he may, through a breach of confidence, gain the information in usable form and escape the efforts of inspection and analysis. 'The fact that a trade secret is of such a nature that it can be discovered by experimentation or other fair and lawful means does not deprive its owner of the right to protection from those who would secure possession of it by unfair means.' Nims, Unfair Competition and Trade Marks, Sec. 148.

"This text citation is the distillate of many judicial decisions. Thus, in A. O. Smith Corp. v. Petroleum Iron Works Co., 6 Cir., 73 F. 2d 531, 538, the court said: 'The mere fact that the means by which a discovery is made are obvious * * * cannot * * * advantage the competitor who by unfair means, or as the beneficiary of a broken faith, obtain the desired knowledge without himself paying the price in labor, money, or machines expended by the discoverer.' And in Shellmar Products Co. v. Allen-Qualley Co., 7 Cir., 36 F. 2d 623, 625, this court announced: 'Whether it would have been possible to have discovered and purchased the Olsen patent, without the information disclosed to appellant in confidence, it is not necessary to determine, because it is clear from the record that by a breach of confidence the information was disclosed and used as a basis for the search that was made.' And in Tabor v. Hoffman, 118 N.Y. 30,

23 N.E. 12, 13, this is the language: 'But, because this discovery may be possible by fair means, it would not justify a discovery by unfair means . . . .'

"It is, therefore, our conclusion, that the District Court applied an erroneous conclusion of law to the facts at hand. Here was no simple device, widely circulated, the construction of which was ascertainable at a glance. Cf. Carver v. Harr, 132 N.J. Eq. 207, 27 A. 2d 895 and Northup v. Reish, 7 Cir., 200 F. 2d 924. If such were the case our problem would be simple. Instead we are concerned with a relatively complex apparatus; designed to carry large and heavy amounts of cargo; proper inspection of which was, perhaps, accessible to defendant but, in no way shown to have been made. Under such circumstances the District Court's conclusion that plaintiffs no longer possessed a trade secret at the time of their negotiations with defendant was erroneous."

Northup v. *Reish*, 200 F. 2d 924, referred to in *Smith* v. *Dravo Corporation* as being distinguishable from the holdings therein enunciated was also a case from the Seventh Circuit coming within the federal jurisdiction, i.e., a combination suit for patent infringement and a related "claim of unfair competition." 28 U.S.C.A. §1338. The factual situation in *Northup* v. *Reish* and that disclosed by the report of *Wissman* v. *Boucher*, 150 Tex. 326, 240 S.W. 2d 278 are somewhat similar. The device involved in the federal case was an oven liner consisting of a rectangular sheet of embossed aluminum foil with the edges turned over to form a hem. The purposes of the liner was to hold the juices which emerged from the food during the baking or broiling process. The oven liner was held not patentable and not subject to protection as a trade secret. The Court of Appeals said:

"• • • The containers in which plaintiff's oven liners were sold told the public everything that the plaintiff had told Reish about the oven liners. After the liners had been so marketed the plaintiff no longer had any secret about their composition, their style of embossment, their size, their shape, the method of their use, nor their disposal after they were too soiled for further use.

"We do not mean to imply by our emphasis on the fact that plaintiff's 'secret' was only an 'analogous use' for sheets of embossed aluminum foil, that a 'secret' must be a patentable invention in order to be protected by equity against its unauthorized use by one to whom the secret has been disclosed in confidence. We are only trying to emphasize the fact that we are not dealing here with a secret process, machine or method of manufacturing, but only with a simple use which was necessarily fully disclosed to the public by the plaintiff when he marketed his oven liners."

In *Wissman* v. *Boucher*, this Court, in discussing a metallic fishing rod that would collapse into one piece and thus serve as a walking stick, said:

"• • • There is no patent or claim of patentable device in respect of the pole as made by the plaintiff, and while the evidence is as confused as it is abundant, it seems clear enough that, even making the doubtful assumption of novelty in the plaintiff's idea, his pole is based on familiar mechanical means and principles that are quite obvious to and easy to imitate by any reasonably experienced machinist that might see one for the first time or purchase it on the open market. Under these latter circumstances, the exposure of the device to the public by advertisement or sale definitely operates to destroy any legal protection the claimed originator might otherwise assert on the basis of a trade secret."

The case does not hold that a device must be the product of "invention" or subject to patent under the Acts of Congress before it will be protected as a trade secret and respondents do not so contend. Nor does it adopt a rule similar to that applicable in patent cases, i.e., that a patent will not issue when the device is nothing more than an improvement obvious to a good mechanic skilled in the art. In the American Law Institute's Restatement of the Law it is said:

> "A trade secret may be a device or process which is patentable; but it need not be that. It may be a device or process which is clearly anticipated in the prior art or one which is merely a mechanical improvement that a good mechanic can make. Novelty and invention are not requisite for a trade secret as they are for patentability." 4 Restatement of the Law of Torts, p. 6, §757. See also, A. O. Smith Corporation v. Petroleum Iron Works Co., 6th Cir., Court of Appeals, 73 F. 2d 531.

Wissman v. *Boucher* does not militate against the rule of the Restatement above quoted. The controlling factor of the case was the simple and obvious nature of the device involved. It is a case similar to *Northup* v. *Reish*, 200 F. 2d 924, and hence distinguishable from *Smith* v. *Dravo Corporation*, 203 F. 2d 369.

The record in the present case indicates that the K & G tool is no simple device, "the construction of which is ascertainable at a glance." The use of a magnet to attract metallic substances is of course devoid of novelty. The making of a tool embodying this principle which is effective in meeting the needs of the industry in clearing well holes of deleterious metal particles is another matter. The record shows numerous patents have been issued for "magnetic fishing tools" and that much work and ingenunity has been applied to the development of a practical and successful

device. The evidence indicates that the K & G tool was successful and hence the owners of the device and manufacturing process should be protected in the fruits of their ingenunity against those who, according to the jury's findings, are attempting to deprive them of such advantages by a breach of confidence and a failure to abide by their contractual obligations.

In the law of trade secrets, embracing mechanical engines, chemical formulae, confidential lists and the like, matters ranging from sugar in tea for sweetening purposes to the most complicated machine will be encountered. Questions as to classification will arise and their solution may not always be free from difficulties. Examples may be more helpful than definition or attempted redefinition. In our opinion the K & G tool cannot be classified as a simple and obvious device belonging in the same category as the combination fishing rod and walking stick of *Wissman* v. *Boucher*, and the aluminum foil oven lining of *Northup* v. *Reish*.

This being true, injunctive relief cannot be considered a futile thing like enjoining one from making use of knowledge that is common to all. Nor does the injunction run counter to a public policy which discourages contracts which tend to lessen competition. The protection of a trade secret is a well-recognized objective of equity and we are not here concerned with a covenant to manufacture or sell a device to one person only as was the case in *Wissman* v. *Boucher* when reduced to its ultimate essentials.

As to the injunction's extending beyond the date of the issuance of the patent, our holdings in *Hyde Corporation* v. *Huffines*, this day decided, are applicable here. In our opinion the better rule as well as the one supported by the weight of authority in the United States is that represented by such cases as *Shellmar Products Co.* v. *Allen-Qualley Co.*,

7th Cir., Ct. of App., 87 F. 2d 104, *A. O. Smith Corporation* v. *Petroleum Iron Works*, 6th Cir. Ct. of App., 74 F. 2d 934 and *Adolph Gottscho, Inc.* v. *American Marking Corporation*, 18 N.J. 467, 114 Atl. 2d 438. Such rule was followed by us in *Hyde Corporation* v. *Huffines* rather than the one announced in *Pickard* v. *United Aircraft Corporation*, 128 F. 2d 632 and *Commar Products Corporation* v. *Universal Slide Fastener Co.*, 172 F. 2d 150 (both by the Second Circuit Court of Appeals) which was adopted by the Court of Civil Appeals in the present case.

Respondents contended in the Court of Civil Appeals that despite the fact that petitioners' claim was not barred by the statute of limitations it should nevertheless be regarded in equity as a stale demand. As supporting this theory they rely upon the jury's answers to Special Issues Nos. 10, 11 and 12 (heretofore set out) whereby the jury found that petitioners acquired knowledge in August of 1952 that A. C. Green, Jr., one of the respondents herein and an official of G & G Fishing Tools Service, was making a magnetic fishing tool; that petitioners knew respondents were making magnetic fishing tools from August of 1952 until this suit was filed on August 20, 1953, and that petitioners were familiar in a general way with the cost of manufacturing the tools which were being made by respondents.

It is said that under the peculiar circumstances of this case as evidenced by the jury's findings above mentioned, petitioners should have brought their suit within approximately one year after the discovery of August, 1952, despite the fact that the statutes of limitation provide for a longer period. It seems that the gravamen of this argument is that although it appears that petitioners did notify respondents that they intended to file a "patent suit," they said nothing about a "trade secret suit." This difference may be significant in the trial of a lawsuit, but as a warning to a

person that a certain course of conduct will result in litigation, the distinction is of minor importance. As a rule equity follows the law and generally in the absence of some element of estoppel or something akin thereto, the doctrine of laches will not bar a suit short of the period set forth in the limitation statutes. Considering the past business relations between the parties and the lack of any positive action or deliberate nonaction on the part of petitioners which could reasonably be considered as having induced respondents to act to their disadvantage, there is no basis for a shortening of the limitation period, so to speak. It is reasonably apparent that respondents knew they would be involved in some sort of lawsuit if they persisted in their course of action and they must be regarded as having assumed the risks incident thereto.

Respondents' complaint as to the form of the injunction will not warrant a reversal. There are a number of ways in which a decree may be worded in cases such as this, and certain methods may be superior to others. The trial judge in the present case summarized the jury's finding and recited in the decree that respondents in breach of a confidential relationship had copied the magnetic fishing tool of petitioners "and after copying same did manufacture, lease, operate, use, and distribute for use by others, said magnetic fishing tool and did so from at least August 1952, and have so engaged down to the present time" and will continue to do so, unless restrained "to the irreparable injury of plaintiffs herein because of the inability of plaintiffs to trace each and every such tool and determine how much loss of revenue would result to plaintiffs from such illegal and unlawful use of the copied tool, and particularly since the magnetic fishing tool so manufactured, used, leased, and distributed and operated by defendants is substantially the same as the magnetic fishing tool of plaintiffs

and works in substantially the same fashion, so that persons using the magnetic fishing tool of defendants would in large measure fail and refuse to hire and use plaintiffs' magnetic fishing tool; * * * ."

Based upon such findings and recitals, respondents were ordered to "desist from making, using, leasing, selling, manufacturing, operating, copying or otherwise representing themselves to be the makers, manufacturers, lessors or operators of magnetic fishing tools substantially the same as that of the plaintiffs (petitioners) herein, and from using in any way the confidential information obtained by defendants (respondents) from an examination of plaintiffs' magnetic fishing tool."

Future problems of enforcement applicable to most every type or form of injuction may be imagined. The decree is, however, to be interpreted in the light of its recitals and findings. It was found that respondents were wrongfully making a tool substantially the same as that of petitioners. They were ordered to desist. The decree is sufficiently definite to be enforced.

The judgment of the Court of Civil Appeals is reversed and that of the trial court affirmed.

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JAMES R. NORVELL
Associate Justice

Opinion delivered:
March 12, 1958

No. A-6577

IN THE SUPREME COURT OF TEXAS

K & G Oil Tool & Service Co.,
Petitioners,
v.
G & G Fishing Tool Service, et al,
Respondents.

From Harris County
Sixth District

ON MOTION FOR REHEARING

Petitioners have requested and are granted leave to amend their application for writ of error. The points sought to be enlarged upon and made more specific were clearly preserved in their brief and motion for rehearing in the Court of Civil Appeals. *Hearne* v. *Bradshaw*, Tex. Sup. ..... S.W. 2d ..... A similar amendment was permitted in *Hyde Corporation* v. *Huffines*, Tex. Sup., ... S.W. 2d .....

Respondents have filed an able and vigorous motion for rehearing. With the exception hereinafter noted, the original opinion adequately covers the case and further discussion would not be profitable.

It is urged on behalf of the respondent C. P. Buckler that we should consider and decide a point raised in his behalf, but decided against him in the Court of Civil Appeals, although no mention was made thereof in the reply to the application for writ of error. The judgment of the Court of Civil Appeals was that petitioners take nothing against C. P. Buckler as well as the other parties who are respondents in this Court. However, that Court expressly overruled appellants' (respondents') Point No. 7. 305 S.W. 2d 642. This point may be duplicitious but considering the statement and argument made thereunder, *Wagley* v. *Fambrough*, 140 Tex. 577, 169 S.W. 2d 478, it clearly asserts the proposition that the district court erred in including C. P. Buckler in the judgment of damages because

there is no evidence supporting this portion of the judgment. The sustaining of Point No. 7 would therefore support the take-nothing judgment which was rendered in Buckler's favor by the Court of Civil Appeals. Having concluded that certain points contained in the application for writ of error were good and would require a reversal of the judgment of the lower appellate court, absent some additional consideration or circumstance, it becomes our duty to examine the brief of the prevailing party in the Court of Civil Appeals to see if the judgment of that Court can be affirmed on any other point which the Court had before it. See, *Calvert, "Some Problems of Supreme Court Review"*, 21 Texas Bar Journal 75, l.c. 112, citing *Jordon* v. *Morten Inv. Co.*, 127 Tex. 37, 90 S.W. 2d 241, 242; *Dallas Ry. & Term. Co.* v. *Bailey*, 151 Tex. 359, 250 S.W. 2d 379, 383; *Walker* v. *Texas Emp. Ins. Ass'n.*, Tex. Sup., 291 S.W. 2d 298, 302.

The trial court rendered a money judgment against two corporate defendants, G & G Fishing Tools Service and G & G Fishing Magnets, Inc. and four individuals, A. C. Green, Jr., A. C. Green, Sr., Cecil V. Bond and C. P. Buckler. It appears that Buckler was a minority stockholder and director of the corporate defendants, as well as a member of a partnership known as G & G Machine Works which was not a party to this litigation. The only reference to the statement of facts contained in the briefs in the Court of Civil Appeals is to the testimony of C. P. Buckler which appears in deposition form. According to Buckler his primary occupation is that of business agent for the White Deer Corporation which owns large tracts of land in Gray, Robertson, Hudspeth and Carson Counties, Texas. A. C. Green, Jr., is his son-in-law and Buckler's participation in the machine tool business has consisted of financial aid furnished to his son-in-law. He was

a partner with A. C. Green, Sr. and A. C. Green, Jr., in the firm known as G & G Machine Works, but did not actively participate in the management of the business. G & G Fishing Tool Service and G & G Fishing Magnets, Inc. started as partnerships and were later incorporated with Buckler becoming a stockholder and director of each. He did not, however, become active in the management of such corporations; did not participate in discussions relative to the manufacturing of the G & G magnet; did not know where the design came from in the beginning, and had no knowledge of arrangements between G & G Fishing Tool Service and G & G Fishing Magnets Inc. on one hand and K & G Oil Tools and Service Co., Inc. on the other, with reference to the handling, storage or use of K & G fishing magnets. He was not a mechanic and knew nothing of the design and construction of magnetic fishing tools and was not consulted about such matters.

We are cited to no testimony which contradicts that given by Buckler. All we have are the circumstances that Buckler was the father-in-law of A. C. Green, Jr.; that they were partners with A. C. Green, Sr. in G & G Machine Shop; that (as indicated by the evidence) the shop of the partnership was used by A. C. Green, Jr. and others to break open and examine the Kirby tool, and that Buckler was a stockholder and director of corporations which thereafter manufactured a magnetic tool similar to that made by Kirby and his company. These are not sufficient in law to render Buckler personally liable in damages.

According to the jury, the disassembling of the Kirby tool was in violation of an ex[illegible]s agreement. It was also in the nature of a tortious [illegible]on in that it involved a breach of confidence. While in the petition there may be some suggestion of a conspiracy to unlawfully acquire knowledge of petitioners' trade secrets relating to the manufacture of fishing magnets, the appellees in the Court

of Civil Appeals (petitioners here) sought to support the money judgment against Buckler upon the theory of partnership. A non-participating partner is ordinarily not personally liable for the wrongful, tortious or criminal acts of the acting partner unless such acts are within the scope of the partnership's business or were consented to, authorized, ratified or adopted by the non-participating partner. *Corona Petroleum Co.* v. *Jameson,* Tex. Civ. App., 146 S.W. 2d 512, 516, wr. dism., correct judgment, 32 Tex. Jur. 348, Partnership §83, *Urabel* v. *Acri,* 156 Ohio St. 467, 103 N.E. 2d. 564, 30 A.L.R. 853. And it further appears that "The cases are agreed that a director or officer of a corporation is not liable, merely because of his official character, for the fraud or false representations of the other officers or agents of the corporation or for fraud attributable to the corporation itself, if such director or officer is not personally connected with the wrong and does not participate in it." 13 Am. Jur. 1020, Corporations §1088. *C. F. Schreyer* v. *Casco Products Corp.,* 97 F. Supp. 159, l.c. 169, rev. in pt. 190 F. 2d 921.

Respondents' motion for rehearing is granted to the extent of modifying the trial court's judgment by eliminating therefrom the money judgment awarded against C. P. Buckler and in favor of the petitioners. In all other respects such motion is overruled. Except in the particular mentioned, the judgment of the Court of Civil Appeals is reversed and the judgment of the trial court as reformed, by eliminating the money recovery against C. P. Buckler, is affirmed.

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JAMES R. NORVELL
Associate Justice

Opinion delivered:
June 4, 1958

No. A-6577

IN THE SUPREME COURT OF TEXAS

K & G Oil Tool & Service Co., Inc., et al,
Petitioners,
v.
G & G Fishing Tool Service, et al,
Respondents.

From Harris County
Sixth District

DISSENTING OPINION

This is an even weaker case for injunctive relief after issuance of the patent than *Hyde Corporation* v. *Huffines*, ... Tex. ....., ... S.W. 2d ....., because here respondents have no head start or other advantage over petitioners in the marketing of their respective products. Although respondents began manufacturing and leasing their fishing tool before the secret was published to the world, they have been required to pay petitioners all profits derived therefrom up to the grant of the patent. I would apply the rule of *Conmar Products Corporation* v. *Universal Slide Fastener Co.*, 2nd Cir., 172 F. 2d 150, and affirm the judgment of the Court of Civil Appeals in so far as the permanent injunction is concerned.

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Ruel C. Walker
Associate Justice

RCW:A

Opinion delivered:
June 4, 1958

No. A-6577

IN THE SUPREME COURT OF TEXAS

K & G Oil Tool & Service Co.,
Petitioners,
v.
G & G Fishing Tool Service, et al,
Respondents.

From Harris County
Sixth District

DISSENT ON MOTION FOR REHEARING

I agree with the opinion on Motion for Rehearing except that portion of the opinion which eliminates the money judgment awarded against C. P. Buckler and in favor of the petitioners.

Clyde E. Smith
Associate Justice

CES:OS

Opinion delivered:
June 4, 1958

No. A-6486

IN THE SUPREME COURT OF TEXAS

HYDE CORPORATION,
Petitioner,
v.
JAMES DONLE HUFFINES,
Respondent.

From Tarrant County
Second District

OPINION ON ORIGINAL HEARING

This is a "trade secret" case in which the Court of Civil Appeals, after eliminating a recovery for attorneys' fees, has affirmed both a money judgment for $17,520 in favor of James Donle Huffines against Hyde Corporation and a perpetual decree of injunction restraining Hyde Corporation from manufacturing or selling any device made substantially in accordance with any feature of a garbage compressor described in Huffines' original application for a patent and the patent thereafter issued to him. *Hyde Corporation* v. *Huffines*, Tex. Civ. App., 303 S.W. 2d 865.

Petitioner, Hyde Corporation, presents the case here upon eighteen assignments of error; some of which are closely related and grouped for purposes of argument. It is unnecessary to discuss these assignments or points seriatim in order to dispose of the case. When the writ was granted, we had some doubt of the propriety as to the injunctive relief granted and one of the justices of the Court of Civil Appeals was of the opinion that the injunction was erroneously issued. However, upon further consideration, we have reached the conclusion that none of petitioner's assignments point out an error in the judgment of the Court of Civil Appeals. Such judgment will accordingly be affirmed.

Petitioner's assignments in the main present three major contentions: (a) That the pleadings, the evidence and the

jury's findings do not support a recovery for Huffines upon the theory that Hyde Corporation had through violation of a confidential relationship, secured and wrongfully exploited Huffines' "trade secrets". (b) That Huffines' remedy, if any, lay in the federal courts as the suit is essentially one of patent infringement. (c) That the injunction was wrongfully issued, particularly in view of the fact that a patent had been issued to Huffines covering a part of the claims contended in his patent application.

Certain other assignments raise contentions that various portions of the jury's findings are without support in the evidence, but we find that these matters were correctly decided in the lower appellate court and hence need not be discussed here.

The statement of the Court of Civil Appeals is essentially correct. However, in view of petitioner's first major contention, we will enlarge thereon by quoting from the patent application made by Huffines and the licensing agreement executed by the contending parties.

The respondent Huffines (plaintiff below) is the director of the Sanitation Department of the City of Wichita Falls, Texas. He constructed a mechanism which compressed the trash and garbage collected by the Sanitation Department so that the garbage trucks employed in hauling this refuse could carry substantially larger loads. He applied for a patent upon this device and in his application described it as a "Compressor Mechanism for Refuse Truck." It was stated in the application that:

> "This invention relates to improvements in garbage and trash hauling trucks and more particularly to garbage or trash hauling trucks that utilize a compressor mechanism to compress the refuse for transportation.
>
> "Various trucks of this character have been proposed heretofore, but these for the most part, were complex

in construction, relatively easy to get out of order, and presented certain difficulties in loading and unloading the refuse, once it had been compressed into the carrying body of the truck.

"An object of this invention is to provide a garbage truck unit wherein the compressor will compact the refuse to enable a greater load to be transported to the place of disposal.

"Another object of this invention is to provide a compressor mechanism for a garbage or trash hauling truck that has a minimum of working parts to perform the compressing operation.

"A still further object of the invention is to provide a compressing mechanism for a truck of the character specified that is hydraulically operated, both to compress the refuse and to elevate the body of the truck into dumping position.

"Yet another object of the invention is to provide a truck body of the character specified, that is simple in construction, efficient in operation, the compressing and dumping mechanism of which is simple to operate, and which is relatively inexpensive to manufacture."

The application contained seventeen claims of novelty and invention and it conclusively appears that the mechanism was of a type that is subject to protection in equity as a trade secret. See, *K&G Oil Tool and Service Co. Inc., et al v. G&G Fishing Tool Service, et al.*, this day decided.

It appears that E. E. Maxson, Vice President of Hyde Corporation, became interested in the device through the offices of a friend of Huffines. Maxson originally talked with Huffines about manufacturing the device for Huffines. Eventually, however, it was agreed that Hyde Corporation should manufacture and sell the device and pay a royalty to Huffines. On January 8, 1954 a licensing agreement was executed which became effective three months later, that is, on April 8, 1954.

This agreement refers to Huffines as "Licensor" and to Hyde Corporation as "Licensee." It recites the fact that Licensor had invented certain new and useful improvements in a refuse compressor mechanism for vehicles and had made application for letters patent in the United States Patent Office, bearing Serial No. 400,236 and filing date of December 24, 1953 covering such device, and that Licensee was desirous of acquiring an exclusive license to make, use and sell the said invention in the territory of the United States of America and its possessions, and in all foreign countries.

The contract then provided that:

"The LICENSOR hereby grants to the LICENSEE, under the terms and conditions hereinafter set forth, an EXCLUSIVE LICENSE to make, use and sell said aforementioned device in accordance with said patent application, or under any patent or patents that may issue therefrom, or any application or applications filed on improvements on said device conveyed to the LICENSOR by the LICENSEE, and under any patent or patents that may issue therefrom. LICENSOR agrees to use due diligence in protecting such improvements and to continue the agreement under the present application and applications for improvements that may be filed thereon, as long as such agreements and conditions set forth herein are fulfilled. • • •

"The LICENSEE agrees to pay LICENSOR the sum of one hundred twenty dollars ($120.00) per unit, and warrants and binds itself and its assigns to produce, sell and pay LICENSOR for a minimum of one hundred (100) units the first years. • • •

"Any litigation for infringement involving said application for patent, or involving an application or applications for patent on any improvements on said device, or involving any patents that may issue therefrom,

whether offensive or defensive, but not connected with any Patent Office proceedings, shall be paid for by the parties hereto in proportion to the monies received from the manufacture and sale of said devices. However, if either of the parties hereto fails to bear his proportionate part of any such litigation, as aforesaid, the other party shall have the right, upon the expiration of thirty (30) days written notice to the party in default of his intention to bear the full expense of such litigation, but the party bearing such expense shall receive in full any damages that may be collected as a result of such litigation, otherwise monies collected as damages, or any expenses thereof, shall be shared proportionately.

"The effective date of this contract shall be the date on which the LICENSEE presents a finished pilot model of said device manufactured in accordance with the disclosure of said patent application, and when such pilot model is accepted by LICENSOR as a proper and salable article of manufacture within the scope of the claims of said application LICENSEE warrants and binds itself and its assigns to build and complete said pilot model within Ninety (90) days from date of this contract.

"The LICENSEE agrees not to question the validity of any application or applications, or any patent or patents issued as result of said application, or applications filed on improvements on said device, relative to the said REFUSE COMPRESSOR MECHANISM FOR VEHICLES.

"This agreement may be automatically renewed at the end of the first year, so long as the agreements and conditions set forth herein are being fulfilled, and the same may apply to each succeeding year for the pendency of said patent application or applications, and for the life of any patent or patents that may issue therefrom. Failure to fulfill the conditions herein set out shall be considered as terminating this contract

agreement, but either party hereto who considers such conditions are not being met, shall notify the other party in writing to that effect, setting out the particular deficiencies, and the party receiving such notice shall have thirty (30) days in which to remedy such deficiencies, before the contract agreement shall become null and void. Sixty (60) days notice to terminate this contract shall be given by LICENSEE. If more than one hundred (100) units are manufactured and sold in any one year, the additional amount so sold that year shall be credited to the amount to be sold the next ensuing year.

"The expense of the prosecution of said application or applications for patent or patents shall be at the expense of the LICENSOR, and he agrees to use due diligence in prosecuting said application or applications for patent or patents in an effort to bring same to a successful conclusion.

"Licensee agrees to convey to LICENSOR any improvements made by LICENSEE or its employees upon the machine involved herein, and agrees that such assignment may be made to LICENSOR or to any designated agent, at LICENSOR'S expense, and LICENSEE may use the improvement during the term of this contract, without additional royalty."

It conclusively appears that as a result of this agreement and the negotiations preceding its execution, Hyde Corporation gained full knowledge of the Huffines device not only from the application for patent but from scale models, blue prints, and actual construction of the device. On May 31, 1955, when the parties were in the second year of operations under the contract, Hyde Corporation repudiated the licensing agreement by giving the sixty-day notice provided for in the contract. However, according to the jury's findings, said defendant did not cease to manufacture the Huffines' device but on the contrary continued to pro-

duce the same substantially in accordance with the description of the mechanism contained in Huffines' patent application.

Shortly before the trial was concluded a patent was received by Huffines and introduced in evidence. Some ten claims are listed in the patent instead of seventeen as set out in the original application. In the course of the prosecution of the patent application it appears that certain claims were cancelled by Huffines, others amended and additional ones added before the patent was finally issued.

Against this factual background Hyde Corporation contends that it cannot be held in damages or restrained in equity from further manufacturing the mechanism because they did not gain knowledge of the device through fraud, deceit or any inequitable practice.

Special Issues Nos. 1 and 2 and the jury's answers thereto bear upon this contention and are as follows:

> "Special Issue No. 1: Do you find from a preponderance of the evidence that J. D. Huffines disclosed his refuse compressor mechanism to Hyde Corporation because some officer or agent of Hyde Corporation represented to him that they were interested in manufacturing and selling said refuse compressor mechanism?
>
> Answer: Yes.
>
> "Special Issue No. 2: Do you find from a preponderance of the evidence that the defendant, Hyde Corporation, acted in good faith in acquiring knowledge of the design and novel features, if any, of the garbage disposal body in question? Answer: Yes."

Petitioner contends that there is no evidence supporting the jury's answer to Special Issue No. 1 and insists that if any issue of breach of confidence be raised by the evidence, the trial court should have submitted its requested special

issue inquiring if the details, plans and specifications of Huffines' refuse compressor mechanism were disclosed by Huffines to Hyde Corporation or its representative *in confidence.*

Petitioner's arguments as to the pleadings and evidence seem to run counter to the realities of the case as fixed by the written licensing agreement. It is true that there is no explicit written covenant contained in the contract which precludes petitioner from making use of information granted as a result of contract negotiations and disclosures by Huffines *after* the cancellation of the licensing agreement. It is also true that respondent's pleadings do not use the words "in confidence" by way of stating a conclusion. The picture presented by the pleadings and the evidence both undisputed and as interpreted by the jury is that of a licensee after contracting with an inventor (in good faith according to the jury's answer to Special Issue No. 2) for the use of an invention upon which an application for patent was pending, repudiating the licensing agreement and insisting upon utilizing the device despite the fact that he secured information which enabled him to manufacture the device through the licensing agreement and the negotiations relating thereto. To say that petitioner did not gain knowledge of the device in this manner is to deny the stated purpose of the licensing agreement. While in the briefs and oral argument some concern was expressed that the Court of Civil Appeals opinion would permit unscrupulous claimants to delve into the pockets of business firms through spurious claims for compensation for the use of ideas, *Matarese* v. *Moore-McCormack Lines, Inc.*, 2d Cir. 158 F. 2d 631, 170 A.L.R. 440, that danger is hardly presented here. We are not called upon to consider at what period in the course of negotiations petitioner's actions may have ceased to be ethically permissible. We here have business rela-

tions culminating in a licensing agreement. The case seems to come squarely within the rule of the American Law Institute's Restatement of the Law that:

> "One who discloses or uses another's trade secrets, without a privilege to do so, is liable to the other if (a) he discovers the secret by improper means, or (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him * * * " 4 Restatement of Torts §757.

The jury evidently believed that at the time the licensing agreement was entered into, Hyde Corporation was acting in good faith, but thereafter decided to use respondent's device without accounting to him. If so, it might be absolved under clause (a) of the rule but would be held liable under clalse (b) thereof. In the present case, the parties occupied the position of licensor and licensee. They were in a sense co-adventurers. There existed between them a confidential relationship as a matter of law and there was no need to submit these incidents of legal status to a jury for its determination. In commenting upon clause (b) of the rule above stated, it is said in the Restatement that:

> "A breach of confidence under the rule stated in this Clause may also be a breach of contract which subjects the actor to liability under the rules stated in the Restatement of Contracts. But whether or not there is a breach of contract, the rule stated in this Section subjects the actor to liability if his disclosure or use of another's trade secret is a breach of the confidence reposed in him by the other in disclosing the secret to him. The chief example of a confidential relationship under this rule is the relationship of principal and agent (see Restatement of Agency, §§395 and 396). Such is also the relationship between partners or other joint adventurers. But this confidence may exist also in other situations. For example, A has a trade secret

> which he wishes to sell with or without his business. B is a prospective purchaser. In the course of negotiations, A discloses the secret to B solely for the purpose of enabling him to appraise its value. Or, A requests a loan from B, a banker, for the purpose of aiding the manufacture of a product by A's secret process. In order to assure B about the soundness of the loan, A discloses the secret to him in confidence. In both cases B is under a duty not to disclose the secret or use it adversely to A * * * " 4 Restatement of Torts, §757, Comment on Clause (b) p. 13.

While there may be some distinction in the theory of recovery under clauses (a) and (b), that is whether in tort or contract, *Aktiebologet Bofors* v. *United States Co. of App. D. C.*, 194 F. 2d 145, that point is not involved here. In the area of confidential relationships between partners, employers and employees, licensors and licensees, and the like, the injured party is not required to rely upon an express agreement to hold the trade secret in confidence, *Schreyer* v. *Casco Products Corp.*, 2d Cir. Ct. of App., 190 F. 2d 921, *Smith* v. *Dravo Corporation*, 7th Cir. Ct. of App., 203 F. 2d 369, nor should he be deprived of all relief because the offending person may have originally entered into the particular relationship unaffected by a then existing ulterior or improper motive.

Petitioner's contention that respondent's remedy, if any, rests in the federal courts is founded upon the premise that this is essentially a patent infringement suit. After petitioner had entered into the licensing contract with respondent, it purchased Patent No. 2487412 issued to Valentine O. Balbi covering a compressing device and instituted suit against Huffines in the United States District Court for the Northern District of Texas asserting the priority of the Balbi patent over that issued to Huffines and contending that the latter patent was invalid for a number of reasons.

We agree with the holding of the Court of Civil Appeals that this is not a "patent case", although "patent questions" may be involved herein. The gravamen of the present suit is breach of confidence. Trade secrets as distinguished from patents are subject to protection under the equitable jurisdiction of the state courts. In *E. I. DuPont de Nemours Powder Co.* v. *Nasland*, 244 U.S. 100, ... S. Ct. ....., 61 L. ed. 1016, Mr. Justice Holmes stated the basis of the "trade secret" case, viz:

> "The word 'property' as applied to trademarks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied, but the confidence cannot be. Therefore the starting point for the present matter is not property or due process of law, but that the defendant stood in confidential relations with the plaintiffs, or one of them. These have given place to hostility, and the first thing to be made sure of is that the defendant shall not fraudulently abuse the trust reposed in him. It is the usual incident of confidential relations. If there is any disadvantage in the fact that he knew the plaintiffs secrets, he must take the burden with the good."

In the later case of *Becher* v. *Contoure Laboratories*, 279 U.S. 388, S. Ct. , 73 L. ed. 752, Mr. Justice Holmes in distinguishing between the patent and trade secret suits said:

> "It is not denied that the jurisdiction of the courts of the United States is exclusive in the case of suits arising under the patent laws, but it was held below that the suit in the state court did not arise under those laws. It is plain that that suit had for its cause of action

the breach of a contract or wrongful disregard of confidential relations, both matters independent of the patent law, and that the subject-matter of Oppenheimer's claim was an undisclosed invention which did not need a patent to protect it from disclosure by breach of trust. Irving Iron Works v. Kerlow Steel Flooring Co. 96 N.J. Eq. 702, 126 Atl. 291; E. I. Du Pont de Nemours Powder Co. v. Masland, 244 U.S. 100, 61 L. ed. 1016, 37 Sup. Ct. Rep. 575. Oppenheimer's right was independent of and prior to any arising out of the patent law, and it seems a strange suggestion that the assertion of that right can be removed from the cognizance of the tribunals established to protect it by its opponent going into the Patent Office for a later title. It is said that to establish Oppenheimer's claim is to invalidate Becher's patent. But, even if mistakenly, the attempt was not to invalidate that patent, but to get an assignment of it, and an assignment was decreed. Suits against one who has received a patent of land to make him a trustee for the plaintiff on the ground of some paramount equity are well known. Again, even if the logical conclusion from the establishing of Oppenheimer's claim is that Becher's patent is void, that is not the effect of the judgment."

The federal courts have original jurisdiction, absent a diversity of citizenship of causes of action, which assert "a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trademark laws." 28 U.S.C.A. §1338(b). Huffines might have maintained this character of suit in the federal court in connection with a claimed infringement of his patent, but he was not required to do so as the way to relief in the state courts was open to him. Hyde Corporation has no claim of unfair competition based upon an alleged violation of confidence by Huffines which is in any way related to its claim under the Balbi patent. However that may be, it seems clear that

the action taken by Hyde Corporation in the federal court could not operate to abate this proceeding. The distinction between the trade secret cases and those involving the validity of or infringement of patents is pointed up by the trade secret cases tried in the federal courts because of diversity of citizenships in which the law of the state of the forum is regarded as controlling under the rule of *Erie Railroad Company* v. *Tompkins*, 304 U.S. 64, 58 S. Ct. 817, 82 L. ed. 1103, 114 A.L.R. 1487. See, *Franke* v. *Wiltschek*, 2d Cir. Ct. of App. 209 F. 2d 493, *Smith* v. *Dravo Corporation*, 7th Cir. Ct. of Apps., 203 F. 2d 369. The latter case affords an example of one cause of action for wrongful appropriation of trade secrets, controlled by the law of Illinois and the law of Pennsylvania under the Illinois doctrine of conflict of laws, being joined with an action for patent infringement which is controlled by Acts of Congress. This was not a case of a claim of unfair competition joined with a related claim under the patent laws within the meaning of the federal statute. The Court characterized the trade secret cause of action as being entirely separate from that relating to a claimed patent infringement and repudiated the patent claim while recognizing the validity of the trade secret. The Court said:

> "* * * But the delver in the art was bound to know all the teachings of that art. When he attempted to improve upon the things taught by others, if he was to achieve patentable invention, he was under the necessity of doing more than merely adapting the teaching to a device as a skilled mechanic would do. After careful consideration, we agree with the District Court that the patentee did no more than adapt what he had been taught to an improved container and that his accomplishment did not rise to the height of patentable invention as that term has been defined by the Supreme Court. * * *."

> "Plaintiffs assert that if defendant is liable for breach of confidential relations, it is estopped to plead invalidity of the patents. The decisions cited in support, we think, do not sustain the argument. The two causes of action are entirely separate; finding of guilt upon the first two counts can in no wise affect the question of validity of the patents under counts 3 and 4. In Booth v. Stutz Motor Co., 7 Cir., 56 F. 2d 962, we held the patent invalid but nevertheless defendant was liable for breach of a confidential relationship. Similar was the ruling in Schreyer v. Casco Products Corp., 2 Cir., 190 F. 2d 921 * * * ."

Nor is it a valid objection to the decree that it anjoins the use of a process or device that has been patented subsequent to the institution of this suit. Injunctive relief is not based upon the patent but the circumstance that the petitioner gained knowledge of such device at a time prior to its being patented through an abuse of a confidential relationship. See Comment Note — "Right and remedies (independently of patent laws) of one who makes an invention or discovery, or conceives an idea or plan, as against one who utilizes it industrially or commercially, or discloses it, or threatens to do so" 170 A.L.R. 449 et seq. As above pointed out, a patent was issued upon certain claims of Huffines contained in his original application and amendments thereto. Despite this circumstance, the Court of Civil Appeals, with one justice dissenting, awarded the respondent Huffines a perpetual injunction against Hyde Corporation restraining it from making use of any of the claims or devices contained in the original application for patent or the patent itself. This holding is in direct conflict with the holding of the Texarkana Court of Civil Appeals in *G&G Fishing Tools Service v. K&G Oil Tool & Service Co.*, 305 S.W. 2d 637 (this day reversed by

nomine, *K&G Oil Tool & Service Co.* v. *G&G Fishing Tools Service*) wherein the Court followed *Conmar Products Corporation* v. *Universal Slide Fastner Co.*, 2d Cir. Ct. of App. 172 F. 2d 150, in which it was held that an injunction would not issue to protect trade secrets against one who had obtained them through a breach of confidence *after* such trade secrets had been made public through the grant of a patent. Chief Judge Learned Hand writing for the Circuit Court of Appeals said:

"Since the specifications of the patents in suit disclosed the first six secrets and part of the seventh, that much of the secrets upon issue of the patents fell into the public demesne; and prima facie, the defendants were free to use them. The Seventh Circuit (Shellmar Products Co. v. Allen-Qualley Co., 87 F. 2d 104) and apparently the Sixth as well, (A. O. Smith Corporation v. Petroleum Iron Works Co., 74 F. 2d 934) have, however, held that if before issue one has unlawfully obtained and used information which the specifications later disclose, he will not be free to continue to do after issue; his wrong deprives him of the right which he would otherwise have had as a member of the public. We have twice refused to follow this doctrine; (Picard v. United Aircraft Corporation, 2 Cir., 128 F. 2d 632; Pennington Engineering Co. v. Houde Engineering Corp., 2 Cir. 136 F. 2d 210) and we adhere to our decisions. Conceivably an employer might exact from his employees a contract not to disclose the information even after the patent issued. Of what possible value such a contract could be, we find it hard to conceive; but, if an employer did exact it, others would perhaps be obliged to turn to the specifications, if they would use the information. Be that as it may, we should not so construe any secrecy contract unless the intent were put in the most inescapable terms; and the plaintiff's contract had none such. In their absence we do not see why a wrongful inducement to divulge the disclosure before issue should deprive the wrongdoer of his right

to avail himself of the patentee's dedication: for, as we have just said, the contract is to be construed as imposing secrecy only until issue. The doctrine must rest upon the theory that it is a proper penalty for the original wrong to deny the wrongdoer resort to the patent; and for that we can find no support in principle."

Upon the granting of a patent upon any of the claims contained in the application, the file is no longer held in confidence by the patent office but the contents thereof become public property. *Grant* v. *Raymond*, 6 Pet. 218, 8 L. ed. 376; *Sandlin* v. *Johnson*, 141 F. 2d 660, *A. O. Smith Corp.* v. *Petroleum Iron Works of Ohio*, 7th Cir. Ct. of Appeals, 73 F. 2d 531, 74 F. 2d 934, Callman, The Law of Unfair Competition and Trademarks (2d Ed.) §533, Patents. Consequently, the secrets disclosed by the application and its amendments are available to all the world and the trial court's decree makes an exception of the petitioner, Hyde Corporation. It is argued that such injunction is punitive as to petitioner rather than protective to respondent.

If, as has been said in numerous cases, the equitable remedy of injunction to prevent one person from damaging another through an abuse of confidence in wrongfully appropriating trade secrets is a separate remedy and incident to a different right than that secured by a patent, it would seem that injunctive protection of the trade secret as against a licensee should not necessarily cease upon the issuance of a patent. The patent may not afford the same protection as the trade secret and while, with reference to the public generally, it may be said that the inventor has elected to surrender the protection of secrecy in return for a patent, the same can hardly be said in behalf of a licensee or other person who has wrongfully used information obtained through a breach of confidence. The record here

indicates that at the time of trial petitioner was tooled up and producing the refuse compressor which was the result of respondent's inventive genius or mechanical skill. Undoubtedly if an injunction were lifted upon the issuance of a patent (which may or may not afford protection for all the trade secrets contained in the original application or amendments thereto), the licensee who had abused a confidence would thus obtain a marketing advantage or head start as compared to the patentee or any manufacturer or processor licensed by him after the issuance of the patent. An award of damages for patent infringement might well prove inadequate to fully protect the one whose confidence had been violated.

The injunction should ordinarily operate as a corrective rather than a punitive measure, but when, through inadequacies in the processes and methods of the law, a choice must be made between the possible punitive operation of the writ and the failure to provide adequate protection of a recognized legal right, the latter course seems indicated and the undoubted tendency of the law has been to recognize and enforce higher standards of commercial morality in the business world.[1] In all cases, injunctive relief extending beyond the issuance of patent may not be essential to afford adequate relief to the injured party,[2] but the disclosure attendant upon the disclosure of the patent filed should not of itself preclude such relief.[3]

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[1] For contrary view, see Kipp, Note, 36 Texas Law Review 384.

[2] See, *Brown & Root, Inc.* v. *Jaques*, Tex. Civ. App., 98 S.W. 2d 257, no writ history, in which the Jaques saw was duplicated by defendant for its own use but not for sale to others.

[3] See discussions in both majority and dissenting opinions in *Franke* v. *Wiltschek*, 2 Cir. Ct. of App., 209 F. 2d 493. In connection with this case, it should be noted that the federal court's jurisdiction was based upon a diversity of citizenship in which the law of the State of New York was involved. *Conmar Products Corporation* v. *Universal Slide Fastener*, 2 Cir. Ct. of App., 172 F. 2d 150, was apparently a combination patent infringement and unfair competition case. 28 U.S.C.A. §1338.

We are not unmindful of the fact that cogent arguments may be marshalled upon both sides of the existing controversy which has resulted in a conflict of decisions among our own Courts of Civil Appeals, as well as the federal Circuit Courts of Appeals. We are, however, of the opinion that the better doctrine as well as the one supported by the weight of American authority is the rule which permits the issuance of an injunction extending beyond the date of patent, even though there be no express convenant between the parties enjoining secrecy after the issuance of a patent.

As this matter has not heretofore been passed upon by this Court we quote somewhat at length from the opinion of the Supreme Court of New Jersey in *Adolph Gottscho, Inc. v. American Marking Corporation*, 18 N.J. 467, 114 Atl. 2d 438, which contains numerous citations of authorities and to our minds represents the majority rule in this country and the one which should be followed by us:

The New Jersey Court said:

> "While its action was pending in the Chancery Division the United States Patent Office issued several patents to the plaintiff. These disclosed some of the plaintiff's secrets though not all nor most of them. Jackson did not learn any of the secrets from the patents; he learned them in confidence while in the plaintiff's employ and improperly disclosed and used them long before the patents were issued. He contends, nevertheless, that the patents constituted public disclosures which automatically terminated the plaintiff's preexisting cause of action against him and the Marking Corporation to the extent that it related to secrets disclosed by the patents. Although there are decisions which suggests support for his position, we believe that reason and the weight of the authority are to the contrary. See Sheilmar Products Co. v. Allen-Qualley Co., 87 F. 2d 104, 109 (7 Cir., 1937), certiorari denied 301 U.S. 695, 57 S. Ct. 923, 81 L. Ed. 1350 (1937); A. O.

Smith Corp. v. Petroleum Iron Works, 74 F. 2d 934, 935 (6 Cir., 1935); Franke v. Wiltschek, 209 F. 2d 493, 495 (2 Cir., 1953); Thilberg v. Bach, 107 F. Supp. 639, 642 (D.C.D.N.J., 1952), affirmed 203 F. 2d 956 (3 Cir., 1953); International Industries v. Warren Petroleum Corp., 99 F. Supp. 907, 913 (D.C.D. Del., 1951); McKinzie v. Cline, 197 Or. 184, 252 P. 2d 564, 569 (1953); Julius Hyman & Co. v. Velsicol Corp., 123 Colo. 563, 233 P. 2d 977, 999 (1951), certiorari denied 342 U.S. 870, 73 S. Ct. 113, 96 L. Ed. 654 (1951). But cf. Conmar Products Corp. v. Universal Slide Fastener Co., 172 F. 2d 150 (2 Cir., 1949); Picard v. United Aircraft Corp., 129 F. 2d 632 (2 Cir., 1942), certiorari denied 317 U.S. 651, 63 S. Ct. 46, 87 L. Ed. 524 (1942); Darsyn Laboratories v. Lenox Laboratories, 120 F. Supp. 42 (D.C.D. N.J., 1954), affirmed 217 F. 2d 648 (3 Cir., 1954).

"In the Franke case the plaintiff sought an injunction and accounting from the defendants who misappropriated trade secrets which they had learned in confidence; in response to the contention that the secrets had been revealed by an expired patent, the court said [209 F. 2d 495]:

"'Defendants argue that the heart of plaintiffs' process was revealed by an expired patent, and that the improvements thereon were unpatentable applications of mechanical skill. This totally misconceives the nature of plaintiffs' right. Plaintiffs do not assert, indeed cannot assert, a property right in their development such as would entitled them to exclusive enjoyment against the world. Theirs is not a patent; but a trade secret. The essence of their action is not infringement, but breach of faith. It matters not that defendants could have gained their knowledge from a study of the expired patent and plaintiffs' publicly marketed product." The fact is that they did not. Instead they gained it from plaintiffs via their confidential relationship, and in so doing incurred a duty not to use it to plaintiffs' detriment. This duty they have breached.' (Citing authorities.)

"In the Hyman case the court held that disclosures in patent applications did not bar the plaintiff's action to restrain the defendants from appropriating its trade secrets; in the course of its opinion it said [123 Colo. 563, 233 P. 2d 999]:

"'It is our conclusion that the composition of matter embraced in applications for United States Letters Patent Serial Nos. 581172 and 639416, 607078 and 643759 were plaintiff's trade secrets, and defendants' betrayal of these trade secrets may not be countenanced by a court of equity. Assuming that the applications for patents in Great Britain and other foreign countries amounted to a disclosure of plaintiff's trade secrets nevertheless it did not relieve the individual defendants here from their contractual and fiduciary obligation. The determination of what, if any, rights the public may have respecting the use of plaintiff's trade secrets by reason of the application for letters patent in Great Britain or elsewhere, we will leave for decision where that question is presented.

"'The knowledge of chlordane and the construction and equipment of the plant in which the same was manufactured — for which it had expended several hundred thousands of dollars — were, as we have said, plaintiff's trade secrets. Any knowledge which defendants acquired respecting those secrets was obtained while they were plaintiff's employees, and under a contractual obligation, as evidenced by their employment agreements, and in addition thereto this knowledge of plaintiff's trade secrets was acquired by them in confidence and while they were occupying a fiduciary relationship. They now seek to appropriate these trade secrets to their own use and profit by a violation of their contractual agreements and a betrayal of the confidence reposed in them by plaintiff. This they may not do; such conduct is abhorrent, to our conception of ordinary honesty.' (Citing authorities.)

"We are not here concerned with any claim of patent infringement nor are we concerned with the rights of the public generally. Jackson learned the plaintiffs' trade secrets in confidence, and in violation of his fiduciary obligations, he disclosed and used them for purposes other than his employer's benefit. See Sun Dial Corp. v. Rideout, supra, 16 N.J., at page 259, 108 A. 2d 442; Vulcan Detinning Co. v. American Can Co., 72 N.J. Eq. 387, 395, 67 A. 339, 12 L.R.A., N.S., 102 (E. & A. 1907). His conduct was grossly improper and gave rise to the plaintiff's cause of action, based on long-settled equitable principles and supported by the marked changes in the attitude of the law towards the need for commercial morality. Sun Dial Corp. v. Rideout, supra, 16 N.J. at page 261, 108 A. 2d 442; Franke v. Wiltschek, supra, 209 F. 2d at page 499. Cf. 3 Restatement, Torts, 540 (1938): 'the tendency of the law, both legislative and common, has been in the direction of enforcing increasingly higher standards of fairness or commercial morality in trade.' We know of no persuasive reason for depriving the plaintiff of the benefits of its accrued cause of action because some of its secrets were later disclosed by the issuance of protective patents during the pendency of its action. Surely the defendants are in no just position to seek this result and the plaintiff should not be subjected to the burden and jeopardy of additional or divided proceedings to obtain the complete relief to which it is here fairly entitled as against the defaultant fiduciary Jackson and his company the American Marking Corporation."

We are of the opinion that the Court of Civil Appeals was correct in affirming the trial court's injunction. The petitioner throughout this litigation has taken the position that no injunction should issue. It has not raised an alternative contention that an injunction, if issued, should be of limited duration, such as two or three years after the

issuance of patent, rather than being perpetual in nature. No proper predicate by alternative pleadings and supporting evidence was laid for limiting the effect of the injunction to a certain period of time after the issuance of the patent. We think that when a plaintiff makes out a case for injunctive relief, the duty devolves upon the opposing party to show by competent evidence that an order of less duration than a permanent order will afford the injured party adequate protection. We make this statement in deference to a suggestion contained in an amicus curiae brief filed herein and to point out that as an amicus curiae does not occupy the position of an attorney for a party and is not vested with the management of the case, 2 Am. Jur. 682, Amicus Curiae, § 7, the authority to and the propriety of issuing the suggested type of injunctive order is not before us.

We find no assigned error in the trial court's manner of submitting the case to the jury which would necessitate a new trial, nor is a valid objection made to the method employed in assessing damages.

Petitioner's assignments of error are overruled and the judgment of the Court of Civil Appeals is affirmed.

JAMES R. NORVELL
Associate Justice

JRN:W
Opinion delivered:
March 12, 1958

No. A-6486

IN THE SUPREME COURT OF TEXAS

HYDE CORPORATION,
Petitioner,
v.
JAMES DOYLE HUFFINES,
Respondent.

From Tarrant County,
Second District.

MOTION FOR REHEARING

While petitioner's motion for rehearing presents nothing that was not passed upon in the original opinion, there are certain matters which may be clarified by further statement.

Petitioner seems to have some objection to the use of the term "trade secrets" in describing this case. The generally accepted definition of a "trade secret" is that contained in the Restatement of Torts. In *Extrin Foods, Inc.* v. *Leighton*, Supreme Court, King's County, N.Y., 115 N.Y.S. 2d 429, the Court said:

"In resolving this issue the Court is first required to define the term 'secret' as applied to a formula. The term 'trade secret' is defined in the Restatement of Torts, §757, p. 5, as follows:

'b. Definition of trade secret. A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list of customers. * * * A trade secret is a process or device for continuous use in the operation of the business. Generally it relates to the production of

goods, as, for example, a machine or formula for the production of an article.'

"See also Nims on Unfair Competition and Trade Marks (4th Ed.), page 403; Kaumagraph Co. v. Stampagraph Co., 235 N.Y. 1, 7, 138 N.E. 485, 487; Fairchild Engine & Airplane Corp. v. Cox, Sup., 50 N.Y.S. 2d 643, 656."

To the authorities cited, we may add the following: *Sun Dial Corporation* v. *Rideout*, 29 N.J. Super. 361, affirmed, 16 N.J. 252, 108 A. 2d 442; *B. F. Gladding & Co. Inc.* v. *Scientific Anglers, Inc.*, 6 Cir., 245 F. 2d 722; *Schreyer* v. *Casco Products Corp.*, 97 F. Supp. 159, reversed in part, 190 F. 2d 921, 87 C.J.S. 413.

It appears from the record before us that Huffines had conceived and developed a device which he called a "Compressor Mechanism for Refuse Truck", and had applied for a patent thereon. The details of this device were unknown to Hyde Corporation until disclosed to its representatives during negotiations which culminated in a licensing agreement. Such details of construction were "trade secrets" belonging to *Huffines, Smith* v. *Dravo Corp.*, 7th Cir., 203 F. 2d 369, and were fully disclosed by his patent application, the details of which were made available to Hyde Corporation, together with blue prints, etc., long before the application was made public by the Patent Office when a patent was granted covering some of the claims contained in the original application. If these details as to construction were received by Hyde Corporation in confidence and that company later attempted to exploit them to Huffines' injury through a breach of confidence, an action lies, and it matters not whether the suit be designated as a "trade secret" case or as a suit for breach of confidence, which is a term commonly used by Huffines in describing his claim

for relief. See *Becher* v. *Contoure Laboratories*, 279 U.S. 388, 49 S. Ct. 356, 73 L. ed. 752.

We have not held as a matter of law that the relationship of licensor and licensee in itself created a confidential relationship between the parties. It is undoubtedly true, as stated in one of the briefs filed herein, that, "The existence of a confidential relationship between a Licensor and Licensee is to be determined in each case [and] it does not follow that merely because the parties occupy a position of Licensor and Licensee a confidential relationship results as a matter of law." The trial judge was evidently of the opinion that the Hyde Corporation obtained its knowledge of the device involved through its dealings with Huffines while the parties were attempting to work out a contract for their mutual benefit. As a result of these negotiations, they entered into an agreeable arrangement which actually had the effect of putting the Hyde Corporation into the garbage disposal body business. "Viewing the picture as a whole", the conclusion was reached that a confidential relationship existed between the parties which entitled Huffines to relief by way of injunction. The picture as a whole encompasses the contract of the parties, the facts shown by the undisputed evidence as well as those established by the jury's verdict. The holding of the trial court on the point was affirmed by the Court of Civil Appeals and also by this Court upon authority of the decisions set forth in the original opinion.

The all-important question in this litigation is whether the injunction should extend beyond the date of the issuance of patent. Upon this point there is an admitted conflict of authority. On rehearing, petitioners adopt some change of approach or emphasis in argument. The trial judge in the present case rendered an extremely detailed decree as compared with the one entered in *K & G Oil Tool & Service*

Co., Inc., v. *G & G Fishing Tool Service*, Tex. Sup. , S.W. 2d , which was attacked for indefiniteness of term. The descriptions of the claims in the patent application and the patent itself were incorporated in the decree, not as patent claims, but as descriptions of the features of the Huffines device which should be protected by injunction as so-called "trade secrets". While there is a suggestion that certain of these descriptions or claims may relate to matters well within the realm of public knowledge long before Huffines held any negotiations with a representative of Hyde Corporation, that is hardly the gravamen of the argument nor can it reasonably be supported by the grounds set forth in the motion for new trial filed in the trial court (even considering a "motion to amend and correct judgment" as a part of the motion for new trial), or the points urged in the Court of Civil Appeals, and the assignments contained in the original and amended applications for writ of error.

It is contended that upon the issuance of the patent, the claims contained in the application for the patent as distinguished from the claims of the patent itself became public property. This of course is true. The effect of the injunction is to deprive Hyde Corporation of the right to do that which every other person could do, e.g., make full use of the disclosures of the claims contained in the patent application which were not carried forward and protected by the patent. This situation was recognized in the original opinion. We again encounter the conflict between *Conmar Products Corporation* v. *Universal Slide Fastner Co.*, 2 Cir., 172 F. 2d 150 and *Adolph Gottscho, Inc.* v. *American Marking Corporation*, 18 N.J. 467, 114 A. 2d 438, and similar cases. We have chosen to follow the rule of the New Jersey case. All trade secrets are not patentable and it seems that where one has gained knowledge of trade secrets

in confidence, he should not be permitted to exploit the economic advantage gained thereby to the detriment of the opposing party simply because of the public disclosure of the claims contained in the patent application. One who has obtained prior knowledge of a device in confidence may well establish a manufacturing head start, so to speak. He may not and often does not stand on the basis of economic equality with competing manufacturers or the public at large at the date of the public disclosure of the claims in the patent application. For this reason relief by way of injunction should not arbitrarily be denied because the trade secrets contained in an application for a patent have been made public. Whether an injunction should issue and if so the particular type of decree that should be rendered must, to a large degree, depend upon the facts of each particular case. *Schreyer* v. *Casco Products Corp.*, 2nd Cir., 190 F. 2d 921; *Franke* v. *Wiltchek*, 2nd Cir., 209 F. 2d 493.

In view of the dissenting opinion filed by Judge Jerome Frank in the latter case, we may comment on the holding thereof in some detail as the dissent raises a point similar to that suggested by amicus curiae in the case now before us. *Franke* v. *Wiltchek* was strictly a trade secrets case. The federal jurisdiction was based upon a diversity of citizenship of the parties. 28 N.S.C.A. §1332, and the law of the State of New York was applicable. It was urged that the heart of plaintiffs' process (alleged to be a trade secret) "was revealed by an expired patent, and that the improvements thereon were unpatentable applications of mechanical skill." The Court of Appeals said that,

> "* * * This totally misconceives the nature of plaintiffs' right. Plaintiffs do not assert, indeed cannot assert, a property right in their development such as would entitled them to exclusive enjoyment against the world. Theirs is not a patent, but a trade secret. The

essence of their action is not infringement, but breach of faith. It matters not that defendants could have gained their knowledge from a study of the expired patent and plaintiffs' publicly marketed product. The fact is that they did not. Instead they gained it from plaintiffs via their confidential relationship, and in so doing incurred a duty not to use it to plaintiffs' detriment. This duty they have breached. Junker v. Plummer, 320 Mass. 76, 67 N.E. 2d 667, 165 A.L.R. 1449, citing 4 Restatement, Torts §757 and comment a (1939); Peabody v. Norfolk, 98 Mass. 452; Vulcan Detinning Co. v. American Can Co., 72 N.J. Eq. 387, 67 A. 339, 12 L.R.A.N.S., 102; Tabor v. Hoffman, 118 N.Y. 30, 23 N.E. 12, 16 Am. St. Rep. 740; Spiselman v. Rabinowitz, 270 App. Div. 548, 61 N.Y.S. 2d 138, appeal denied 270 App. Div. 921, 62 N.Y.S. 2d 608; Extrin Foods, Inc. v. Leighton, 202 Misc. 592, 115 N.Y.S. 2d 429. See also Smith v. Dravo Corp., supra, 7 Cir., 203 F. 2d 369; Schreyer v. Casco Products Corp., 2 Cir., 190 F. 2d 921, certiorari denied 342 U.S. 913, 72 S. Ct. 360, 96 L. Ed. 683; 4 Restatement, Torts §757 and comment a (1939); Nims, The Law of Unfair Competition and Trade-Marks §§141, 143a, 148 (4th Ed. 1947); Note, Protection and Use of Trade Secrets, 64 Harv. L. Rev. 976, 979, 982; cases collected in annotated note 170 A.L.R. 449, 488-490."

The Court divided upon the propriety of awarding injunctive relief. The majority in an opinion by Judge Clark upheld the action of the district judge in granting a perpetual injunction. It was said:

"It would appear, therefore, that New York law governs on this point. But the question remains largely academic; for the only way in which New York law see. at all unique is in the number and force of the pertinent decisions. The leading case not only for that jurisdiction, but — in view of its extensive citation — for the country, is still Tabor v. Hoffman, supra, 118

N.Y. 30, 37, 23 N.E. 12, 13, 16 Am. St. Rep. 740, where the court held a plaintiff 'entitled to the preventive remedies of the court,' without respect to whether 'one secret can be discovered more easily than another' or that a defendant's resort to the secret 'was more of a convenience than a necessity.' That decision is particularly in point because there defendant's counsel and a dissenting opinion took special exception to the grant of an injunction, as distinguished from the award of damages at law. See 118 N.Y. 30, 32, 33, 38, 23 N.E. 12. Among recent cases which follow and apply it the following may be cited: Spiselman v. Rabinowitz, supra, 270 App. Div. 548, 61 N.Y.S. 2d 138, appeal denied 270 App. Div. 921, 62 N.Y.S. 2d 608; Biltmore Pub. Co. v. Grayson Pub. Corp., 272 App. Div. 504, 71 N.Y.S. 2d 337; Petnel v. American Tel. & Tel. Co., 280 App. Div. 706, 117 N.Y.S. 2d 294, 295; Sachs v. Cluett, Peabody & Co., 177 Misc. 695, 31 N.Y.S. 2d 718, per Shientag, J.; Smith v. Dravo Corp., supra, 7 Cir., 203 F. 2d 369; Schreyer v. Casco Products Corp., D.C. Conn., 97 F. Supp. 159, 168, affirmed on this issue, 2 Cir., 190 F. 2d 921, certiorari denied 342 U.S. 913, 72 S. Ct. 360, 96 L. Ed. 683; International Industries, Inc. v. Warren Petroleum Corp., D.C. Del., 99 F. Supp. 907, 914; Schavoir v. American Rebonded Leather Co., 104 Conn. 472, 133 A. 582, 583; and see also Nims, The Law of Unfair Competition and Trade-Marks §§141, 143a, 148 (4th Ed. 1947); Note, Protection and Use of Trade Secrets, 64 Harv. L. Rev. 976, 982. Thus apt in its facts and citation of authorities is the late case of Extrin Foods, Inc. v. Leighton, supra, 202 Misc. 592, 115 N.Y.S. 2d 429, where Justice Hart enjoined the use of a discoverable formula for the preparation of certain flavoring products and ordered an accounting of profits.

"As the several cases cited earlier in this opinion show, there is nothing singular in this aspect of New York law. In citing a multitude of cases to the point that an inventor or discoverer 'will ordinarily be granted an injunction' against use of a formula or trade secret, the editors of a lengthy annotation of cases in

1708A.L.R. 449, 488-490, say that in fact 'most of the cases are injunction cases' and cite only two insignificant or inapposite cases to the contrary. See to like effect Spiselman v. Rabinowitz, supra, 270 App. Div. 548, 61 N.Y.S. 2d 138, appeal denied 270 App. Div. 921, 62 N.Y.S. 2d 608. We have found no case authority to throw doubt on this law. So, indeed, if a search be made for 'federal law' so-called, the result must be the same on existing authorities, as we have pointed out above; see, for example, the discussion below and in our court in Schreyer v. Casco Products Corp., supra."

While Judge Frank was of the opinion that an award of damages would do complete justice under the facts of the case, his argument raises the question of an injunction of limited duration. In the dissenting opinion reference was made to a differentiation as to remedies suggested in the Restatement of the Law of Torts. In support of such differentiation, Judge Frank submitted the following argument:

"* * * (a) The harm done by a defendant's breach of a plaintiff's confidence is the use of the secret to the plaintiff's 'loss' or 'detriment.' (b) By defendant's wrong he deprives plaintiff of a trade secret defined as something which gives plaintiff 'an opportunity to obtain an advantage over competitors.' (c) Where the device or process consists of a 'novel invention,' the plaintiff may have chosen not to patent it — which would limit the period of his monopoly — but to keep the invention to himself with the expectation that no one, except those in his confidence, will discover the secret; so that his monopoly will endure for an unlimited time. If the defendant comes to know the secret of such an invention by improper means his use of this knowledge will cause a loss to plaintiff for an indefinite future period during which plaintiff will lose his 'opportunity to obtain an advantage over competitors.' Wherefore a perpetual injunction affords a proper rem-

tection — a protection as enduring as the monopoly grounded on the secret invention. (d) But where the secret involves only a slight, non-patentable and easily-discoverable improvement, competitors will soon, in all probability, legitimately learn how to contrive this improvement. Consequently, defendant's wrong has caused a loss of plaintiff's 'advantage over competitors' which, at most, would not have lasted long. Perpetually to enjoin defendant in such circumstances would be to harm him without regard to the loss or detriment suffered by plaintiff.

"In short, such an injunction — continued beyond the time when, in all likelihood, the trade, by legitimate means will catch up with the plaintiff — is sheer punishment, nothing else. • • •

"The historic injunctive process was designed to deter, not to punish. The essence of equity jurisdiction has been the power of the Chancellor to do equity and to mould each decree to the necessities of the particular case. Flexibility rather than rigidity has distinguished it." • • •

By way of illustration of the Frank argument, it might be said that the "secrets" of the magnetic fishing tool involved in *K & G Tool & Service Co., Inc.* v. *G & G Fishing Tool Service*, ... S.W. 2d .....: may be more readily ascertained from the publicized patent application or from a legitimate examination of the tool itself than could the "secrets" of the "Compressor Mechanism for Refuse Truck" here involved. If so, a fair competitive balance could be attained by a restraint of lesser duration in one case than in the other. Of course, as is indeed probable, the matter may be academic. With the loss of the trade advantage, the duration of the restraint may be wholly immaterial to a defendant. However that may be, as pointed out in the original opinion, the question of an injunction of limited duration is not before us. The issuance of a perpetual injunction is a

common remedy afforded in trade secret cases. The authorities cited by the majority in *Franke* v. *Wiltchek* cannot be lightly brushed aside. Nor are we disposed to destroy "the carefully built law of trade secrets", so that as a practical matter "such business assets (may) be left open to highjacking from all sides." The trial judge upon proper findings has correctly determined that this is a case for injunctive relief. He has ordered that the usual equitable order issue, e.g. the perpetual injunction. It would seem to follow that if an injunction of limited duration be substituted therefor, as suggested by Judge Frank's argument, an abuse of discretion in issuing the perpetual injunction would have to be shown. *Franke* v. *Wiltchek*, 209 F. 2d 493, l.c. 499. No such showing was made in this case. As heretofore stated, the question of a limited duration injunction as opposed to a perpetual injunction is not raised by a party hereto. The matter is not before us.

Petitioner's motion for rehearing is overruled.

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JAMES R. NORVELL
Associate Justice

JRN:W
Opinion delivered.
June 4, 1958

IN THE SUPREME COURT OF TEXAS

No. A-6486

HYDE CORPORATION, *Petitioner,* v. JAMES DONLE HUFFINES, *Respondent.*	From Tarrant County, Second District.

DISSENTING OPINION

After further consideration, I have concluded that our decision in this case is unsound. Since the entire patent file becomes public property when the patent issues, the information contained therein can no longer constitute a trade secret. When the parties made their license agreement, respondent had filed his original patent application containing seventeen separate and distinct claims of novelty and invention. Thirteen of these claims were rejected by the Patent Office because of lack of invention or conflicts with prior patents and were cancelled by respondent in subsequent amendments to his application. While the patent as issued lists ten claims, these embody only four of those which were listed in the original application with some additions and refinements mentioned in additional claims asserted in the amended applications.

The entire world now has access to the file and is free to manufacture and sell devices incorporating the features of the thirteen rejected and cancelled claims except as the same may be protected by other patents, but petitioner has been perpetually enjoined from doing so. The net result is that petitioner is prevented from ever hereafter doing that which everyone else is free to do. Since respondent can be adequately protected by damages or by an injunction of

limited duration, the trial court's judgment is clearly more punitive than remedial.

This action cannot be justified by saying that a patent may not afford the same protection as a trade secret or that an award for damages for patent infringement may not fully protect respondent. Respondent testified that his patent application was made as broad as possible, because the Patent Office would "kick back" all he couldn't use. Although it was thus contemplated that some of the claims might be rejected and have no protection either from the patent or as trade secrets after the patent issued, the contract does not bind petitioner never to use any of the information disclosed to it. By applying for and accepting his patent, respondent elected to look to it for protection and broadcast his secrets to the world. He chose disclosure and patent protection in preference to a trade secret. The narrow question is whether under all these circumstances petitioner is under a legal duty never to use any of the information obtained from respondent, and in my opinion it is not.

Our original opinion apparently recognizes that the trial court's judgment goes too far. It suggests that respondent might have been entitled only to an injunction of limited duration if petitioner had laid a proper predicate by alternative pleadings and supporting evidence showing that the same would afford respondent adequate protection. This does not comport with my idea of the burden resting upon the moving party in an equitable proceeding. It should not be said that he can simply establish his right to some sort of relief and then be granted much more than is actually required for his protection unless the defendant proves that he is entitled to less.

While petitioner does not here argue that the injunction should have been limited to a period of years, it has vigor-

ously contended from the beginning that the permanent injunction should not have been granted and that the rule of *Conmar Products Corporation* v. *Universal Slide Fastener Co.*, 2nd Cir., 172 F. 2d 150, should be applied in this case. It is my opinion that the burden was upon respondent to establish his right to the relief granted, i.e., a perpetual injunction. This he has not done. In a case where there are no pleadings or evidence justifying the issuance of an injunction of limited duration, we should follow the rule of the *Conmar* case and deny injunctive relief after the trade secrets have been made public through the issuance of a patent. See 36 Tex. Law Rev. 384.

I would reverse and render the judgments of the courts below in so far as petitioner has been permanently enjoined from manufacturing or selling any device embodying features described in the original patent application which were not carried forward and reserved in the patent.

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RUEL C. WALKER
Associate Justice

RCW:A
Opinion delivered:
June 4, 1958

IN THE SUPREME COURT OF TEXAS

No. A-6577

K & G Oil Tool & Service Co., Inc., et al
v.
G & G Fishing Tool Service, et al.

From Harris County, Sixth District.

CERTIFICATE

On motion of Respondents before this court, G & G Fishing Magnets, Inc., G & G Fishing Tool Service, A. C. Green, A. C. Green, Jr., and C. P. Buckler, this court in addition to the orders made herein, orders it to be certified and made a part of the record in this case:

1. That the substance of the issues in the captioned cause involving rights of inventors to prevent others from using their invention or trade secrets after publication of the secrets through the issuance of a patent, was decided by this Court in *Hyde Corporation* v. *Huffines*, A-6486; thus, the opinions of this Court in said *Hyde* case should be considered in connection with the opinions in the captioned cause, insofar as the *Hyde* opinions relate to the rights of inventors and trade secret owners to preclude others by injunction from using the inventions and trade secrets of such owners after a patent has issued which discloses such secrets.

2. A copy of the opinions by this Court in said *Hyde Corporation* v. *Huffines*, A-6486, are hereby certified to be a part of the record in the captioned cause to the extent so applicable.

This certificate is itself certified as a part of the record in the captioned cause.

SUPREME COURT OF TEXAS

(Signed) J. E. HICKMAN
Chief Justice
Supreme Court of Texas

September 24, 1958

I, GEO. H. TEMPLIN, Clerk of the Supreme Court of Texas, do hereby certify that the foregoing one page contains a true and correct copy of an order entered by the Supreme Court of Texas in the case of K & G Oil Tool & Service Co., Inc., et al. v. G & G Fishing Tool Service et al., No. A-6577, from Harris County, Sixth District, as such order appears of record in the minutes of said Court under date of September 24, 1958.

IN TESTIMONY WHEREOF, witness my hand and the seal of the Supreme Court of Texas, at the City of Austin, this, the 24th day of September, A. D. 1958.

GEO. H. TEMPLIN
Clerk, Supreme Court of Texas.

[SEAL]

OPINION OF COURT OF CIVIL APPEALS

G & G Fishing Tools Service, et al., *Appellants*, v. K & G Oil Tool & Service Co., Inc., et al., *Appellees*.	No. 6966 Appeal From Harris County

K & G Oil Tool & Service Company, Inc., et al., hereinafter referred to as K & G, and John J. Kirby, II, plaintiffs-appellees, sued G & G Fishing Tools Service, et al., hereinafter referred to as G & G, five other corporations, two partnerships, and nine individuals for damages for alleged theft of a trade secret and for injunction permanently enjoining the defendants from the use of the alleged trade secret. Judgment was rendered for appellees for damages in the sum of $22,000 and a permanent injunction was issued against several of the defendants. Suit as to the other defendants was dismissed during the trial. The remaining defendants-appellants appeal.

In 1951, appellee Kirby constructed a tool or device known and referred to as a "magnetic fishing tool." An application for patent was made, and a license to manufacture the tool was issued by Kirby to K & G, which was incorporated about September 1951, for the purpose of manufacturing and leasing or renting the tool. During the latter part of 1951 and the early part of 1952, the tool was put on the open market and was used extensively in Texas, Oklahoma, and possibly other states. Early in March of 1952, K & G contacted a representative of G & G in Duncan, Oklahoma (G & G at that time having a well-established oil field fishing business), and made arrangements to lease a room or space from G & G at Duncan, Oklahoma, to store

several of the magnetic fishing tools, and further made arrangements with G & G to sub-lease the magnetic fishing tool (which was labeled K & G even though the invention was by Kirby) on a percentage basis; G & G to retain 25% of any sum collected as rentals for use of the tool or tools.

The magnetic fishing tool manufactured by Kirby is a tubular-shaped device ranging in size from 3¼ inches to 11½ inches in diameter, outside dimensions. It is so constructed that it can be attached to the end of a drill pipe used in drilling oil and gas wells. Inside the lower end of the tool is a core of Alnico metal which can be energized with a powerful quantity of magnetism. It was constructed for the purpose of fishing pieces of drill bits and other metal that might be broken off at the bottom of a well during the process of drilling oil and gas wells. Magnetic fishing tools were not new to the oil field drilling industry at the time of the construction of the tool which is the controversy of this lawsuit. The tool involved in this case was also constructed so it would permit circulation of drilling mud through the tool such as is done in rotary drill bits. Such circulation is as old as rotary drilling.

Kirby is not the inventor of Alnico metal. He did not discover the fact that Alnico metal could be highly energized with magnetism.

At the time K & G made a trade with G & G to store the magnetic fishing tool in G & G's office in Duncan, Oklahoma, appellees contend that a contract was made whereby G & G would not break open the K & G tool or attempt to duplicate it. Both Kirby and K & G emphatically deny that he or any representative of K & G confided the alleged secret of the tool to either of the defendants or a representative of defendants.

After March and prior to August 15, 1952, a representative of G & G approached a representative of K & G and

demanded a higher percentage of the rentals of the K & G tool, and informed K & G that unless a higher percentage of the rentals was paid to G & G, then G & G would manufacture and use its own magnetic fishing tools. K & G declined the higher percentage and in September 1952, G & G placed its first magnetic fishing tools upon the market that could be attached to the end of a drill pipe and permit circulation as in rotary drilling. A representative of K & G was notified of the fact and Kirby, the alleged inventor of the magnetic fishing tool, immediately went from Houston to Odessa, Texas, and there saw one of the G & G tools. Kirby testified upon the trial of the case that he examined the G & G tool without breaking it down and used only a flashlight and a piece of wire to examine the G & G tool and could tell from such examination that the G & G tool was exactly like the K & G tool upon which Kirby had a patent claim pending. The record is not too clear, but it seems that appellees knew that G & G was working to manufacture a magnetic fishing tool to be attached to the end of a drill as early as June, 1952. At no time did K & G or Kirby say or do anything in opposition to the manufacture and use of a magnetic fishing tool by G & G until August 20, 1953, the date their suit was filed. They knew at all times that more and more such magnetic fishing tools were being manufactured and placed on the open market by G & G. Appellees also knew that the manufacture of such tools involved expenditure of large sums of money.

Prior to the time that G & G commenced the manufacture and use of magnetic fishing tools on the end of drill pipe and permitting circulation, K & G had already placed its tool on the open market, and widely and extensively advertised the same and displayed it in different oil shows.

Among the defenses of the appellants was: (1) The K & G tool had been placed on the open market prior to the

time G & G commenced manufacturing and using such magnetic fishing tool and that the secret of the K & G fishing tool, if any, was lost by the marketing of same; (2) the K & G tool could be copied by an ordinary machinist without breaking it down; (3) all the secret, if any, of the K & G tool was contained within the tool itself and it was not necessary to acquire any knowledge from the alleged inventor to duplicate the tool; and (4) the appellees were guilty of laches in not taking action immediately, if any action they had, to stop appellants from making and using such magnetic fishing tool and expending large sums of money.

There was neither pleading nor proof on the part of appellees that would define with any degree of exactness the trade secret the appellants are alleged to have stolen.

In response to special issues the jury found that: (1) Appellants agreed not to disassemble the K & G magnetic fishing tool; (2) it was understood that the purpose of the agreement was to guard against any one's determining the internal construction of the magnetic fishing tool by examining the interior thereof; (3) G & G, prior to August 15, 1952, disassembled the K & G magnetic fishing tool for the purpose of making examination thereof; (4) the disassembling of such tool by G & G was for the purpose of examining the interior construction thereof; (5) the disassembling of such tool by G & G was for the purpose of making a similar tool; (6) G & G used the information obtained from this disassembling of the K & G magnetic fishing tool to make one substantially the same as the K & G magnetic fishing tool; (7) the magnetic fishing tool made by G & G is substantially the same as the one then being used by K & G and their affiliated interests; (8) prior to March 1952, the internal construction of the K & G magnetic fishing tool was not known to persons engaged in oil well fishing business; (9) the G & G magnetic fishing tool was not constructed

from information obtained exclusively from sources other than the disassembly of the K & G magnetic fishing tool (we will note here that there is no jury finding that there is any such other information, if any, which was obtained from Kirby or any representative of K & G, and the evidence does show that representatives of G & G did confer with many experts in the field of mechanics and magnetics in connection with the construction of the G & G magnetic fishing tool); (10) appellees knew that A. C. Green, Jr. (one of the appellants), was making a magnetic fishing tool during August 1952; (11) appellees knew at all times from August 1952 to the date of filing of this suit that appellants were manufacturing magnetic fishing tools; (12) appellees were familiar in a general way with the cost of manufacturing magnetic fishing tools such as those that were being manufactured by appellants; (13) K & G did not at any time before or during the use of the warehouse of G & G at Duncan, Oklahoma, ever disclose to any person other than employees or others in a confidential relationship the internal construction of the K & G magnetic fishing tool; (14) *the internal construction of the K & G magnetic tool can be determined by an examination of the tool without disassembling it to the extent that another tool can be constructed that would perform the same function by substantially the same means employed by the K & G magnetic tool* (emphasis added); and, (15) the amount of the net profits derived by appellants up to and before February 4, 1954, by reason of leasing and renting of the G & G magnetic fishing tool was $22,000.

The trial court disregarded the finding of the jury to Special Issues 10, 11, 12, 13 and 14, rendered judgment for appellees for the sum of $22,000, and issued permanent injunction against appellants enjoining them and each of them from " • • • making, using, leasing, selling, manufac-

turing, operating, copying, or otherwise representing themselves to be manufacturers, lessors or operators of magnetic fising tools substantially the same as that of plaintiffs herein and from using in any way the confidential information obtained by defendants from an examination of plaintiffs' magnetic fishing tool; * * * " Hence the appeal.

Appellants bring forward nine points of error. No complaint is made of the sufficiency of the evidence to support the jury finding, nor the criterion used in attempting to show damages. See *Wissman* v. *Boucher*, Tex. Sup. Ct., 242 S.W. 2d 278.

By Point 1 they complain of the action of the trial court in disregarding the jury's finding to Special Issue No. 14, that the internal construction of the K & G magnetic tool could be determined by an examination of the tool without disassembling it to the extent that another tool could be constructed that would perform the same function by substantially the same means employed by the K & G magnetic fishing tool.

The trial court stated in its judgment that there was no evidence to support the submission of Special Issue No. 14. In this finding the trial court erred. There is an abundance of evidence that the K & G magnetic fishing tool could be copied without breaking it down. One witness who had never seen such a magnetic fishing tool prior to the trial of this case sat upon the witness stand, examined the K & G tool without breaking it down and made a drawing to within a 2% exactness of the K & G magnetic tool within and without. There is no contention that a magnetic fishing tool made in accordance with that drawing would not perform substantially the same function as the K & G magnetic tool. Kirby, the alleged inventor, as hereinabove pointed out, testified that he examined a G & G magnetic fishing tool, without breaking it down, using only a flashlight and a piece

of wire, and he could tell that the internal construction of the G & G tool was exactly like the K & G tool. Kirby's own testimony is some evidence that the K & G tool could be copied without breaking it down. There was also testimony by Mr. Green and two other machinists that the tool could be copied without breaking it down.

The construction of the magnetic fishing tool involved in this suit was an improvement over prior magnetic fishing tools by providing a means of attachment of magnetic fishing tools to the end of a drill stem instead of a cable, and providing for the circulation of drilling mud through the magnetic fishing tool and around the magnetic core so that the magnetic fishing tool could be forced to the bottom of the well by a process of the circulation of drilling mud. Magnetism is as old as the North Pole; Kirby is not the inventor of Alnico metal; neither did he discover the effect of the combination of magnetism and Alnico metal. Circulation in the drilling of oil wells is as old as rotary drilling. Attaching a magnetic fishing tool to the end of a drill bit that permits circulation is nothing novel. The magnetic fishing tool is a combination of known elements and articles. Both K & G and G & G tools were introduced in evidence. The tools themselves present some evidence that they could be copied without breaking them down; therefore, the case of *Wissman* v. *Boucher, et al.*; *supra*, is controlling and we think, directly in point. Actually, all the alleged secret being contained within the tool itself, being capable of being copied without breaking it down, and having been marketed directly by appellees and through others, widely exhibited, and advertised by appellees, appellants were only some of the many people who know about the alleged secret. Therefore, we find that no trade secret was involved. *Wissman* v. *Boucher, et al., supra; Kinnear-Weed Corp.* v. *Humble Oil & Refining Co.*, 150 Fed. Sup. 143, 112 U.S.

Patent Quarterly 385; *Brown & Root, Inc.* v. *Jaques*, T.C.A., 98 S.W. 2d 257, no writ history. Point 1 is sustained.

Appellants' chief complaint in their Point 2 is that there is no pleading nor proof that would define the alleged trade secret. No authorities are cited that the alleged trade secret must be defined in the pleading and proof. Several other matters are complained of in the point which renders the point multifarious. The point is overruled without discussion.

By Point 3, appellants complain of the action of the trial court in disregarding the jury's findings in Special Issues Nos. 10, 11 and 12, in which findings the jury convicted appellees of laches. Appellees knew for a year or more that appellants were manufacturing and using magnetic fishing tools and such manufacture involved the expenditure of large sums of money. The evidence discloses that appellants had expended in excess of a quarter of a million dollars in such business prior to the filing of the suit. Appellees do not offer the remotest excuse for not taking immediate action to prevent the manufacture and use of the magnetic fishing tool by appellants. Neither do appellees contend that they were lulled into apathy by promise of remuneration by appellants for use of the trade secret, if any, or that they, appellees, were prevented by appellants from taking any action. In fact, appellants were stimulated by the inaction of appellees into expending large sums of money that could have been averted by prompt action on the part of appellees, if any cause of action they had. *Los Angeles ISD* v. *Chestnut*, T.C.A., 287 S.W. 693, no writ history; *Barksdale* v. *Allison*, P.C.A. 210 S.W. 2d 616, no writ history. The point is sustained.

By Points 4, 5 and 9, appellants complain of the action of the trial court in issuing a permanent injunction against them. Appellees admit they were not entitled to any dam-

ages after a patent was issued to Kirby on February 4, 195[illegible] (appellees' secret, if any, was made public at that time). Appellees were not entitled to damages from appellants after the secret, if any, was made public. An injunction will not lie to prevent any wrong or violation of any right by appellants toward appellees that does not result in damages to appellees. 43 C.J.S., Sec. 29-a, 459-60, *injuria sine damno*. Such injunctive remedies are equitable for injuries and can not be properly used as a means for punishment. *Hecht Co.* v. *Bowles*, 321 U.S. 321, 64 Sup. Ct., 587. The question of damages for the alleged theft of the trade secret becomes moot with the issuance of the patent which made the secret, if any, public. State courts have no jurisdiction in any cause of action the appellees have or may assert to enjoin the infringement of the patent, or to recover damages for infringement. 28 U.S.C.A. 1338, and authorities collated thereunder. The case of *Brown & Root* v. *Jaques*, *supra*, is the only Texas case to which we have been cited or which we have found in which a patent was issued after suit was brought for misuse of a trade secret. In that case the court held, page 258:

> "*Up to the time Jaques was granted a patent*, his right to protection of his invention was *as* a trade secret." (Emphasis added.)

In the case of *Newport Industries, Inc.* v. *Crosby Naval Stores, Inc., et al.*, C.A. 5th, 139 Fed. 2d 611, the court said:

> "A process that is a secret cannot be one that is patented; because full disclosure, so that the public may know how to use it when the patent expires, is the consideration for the monopoly given the patentee for a limited time."

In the case of *Conmar Products Corp.* v. *Universal Slide Fastener Co.*, C.A. 2d, 172 Fed. 2d 150, the court, speaking

through Judge Learned Hand, states the rule as follows:

> "... we do not see why a wrongful inducement to divulge the disclosure (of the secret) before issue (of the patent) should deprive the wrongdoer of his right to avail himself of the patentee's dedication; for, as we have just said, the contract is to be construed as imposing secrecy only until issue (of the patent). The doctrine (of granting injunction after patent issues) must rest upon the theory that it is a proper penalty for the original wrong to deny the wrongdoer resort to the patent; and *for that we can find no support in principle. Thus, any possible liability for exploiting whatever the patents in suit disclosed, ended with their issue.*" (Emphasis added.)

Points 4, 5 and 9 are sustained.

Appellants' Points 6, 7 and 8 have been carefully considered, found to be without merit, and are respectfully overruled.

For the errors hereinabove pointed out, the judgment of the trial court is reversed and judgment is here rendered that appellees take nothing; and, further, the injunction issued by the trial court is hereby set aside and is in all things dissolved.

MATT DAVIS
Associate Justice

September 12, 1957.

Filed September 12, 1957.

IN THE DISTRICT COURT OF HARRIS COUNTY
113TH JUDICIAL DISTRICT OF TEXAS

K. & G. Oil Tool & Service Co., Inc., et al

v.

Carpenter Oil Tool, Inc., et al

No. 424,957

FINAL JUDGMENT

On the 27th day of February, 1956, came on to be heard the above entitled and numbered cause, wherein K. & G. Oil Tool & Service Co., Inc., and John Henry Kirby, II, are plaintiffs, and Carpenter Oil Tool, Inc., Neil L. Carpenter, Drilprodco, Warner W. Greer, Allen Nelson, S. E. Pyle, Johnnie Hughes, G. & L. Tool Company, Doughty Fishing Tool Company, Tri-State Oil Co., Inc., G. & G. Fishing Tools Service, G. & G. Fishing Magnets, Inc., A. C. Green, Jr., A. C. Green, Sr., Cecil V. Bond, and C. P. Buckler are defendants, and plaintiffs and defendants upon whom service had been made and having appeared in person and by and through counsel of record and having announced ready for trial, and a jury of twelve good and lawful men and women, of whom H. E. Hughes was foreman, having been duly impaneled and sworn and having heard the pleadings, the evidence, the argument of counsel, and the charge of the Court, and the cause as to defendants' Carpenter Oil Tool, Inc., Neil L. Carpenter, Drilprodco, Warner W. Greer, Allen Nelson, S. E. Pyle, and Johnnie Hughes having been dismissed as to such defendants without prejudice, and the Court having granted the motion for a judgment on directed verdict as to defendants G. & L. Tool Company, Doughty Fishing Tool Company, and Tri-State Oil Co., Inc., and the motion for a directed verdict by defendants G. & G. Fishing

Tools Service, G. & G. Fishing Magnets, Inc., A. C. Green, Jr., A. C. Green, Sr., Cecil V. Bond, and C. P. Buckler having been presented, considered, and overruled, came the jury of twelve good and lawful men and women and on their oaths do, for their verdict, in response to the following special issues, definitions, and explanatory instructions submitted to them by the Court on the 8th day of March, 1956:

"IN THE DISTRICT COURT OF HARRIS COUNTY, TEXAS

113th JUDICIAL DISTRICT

K. & G. OIL TOOL & SERVICE CO., INC., ET AL

v.

CARPENTER OIL TOOLS, INC., ET AL

No. 424,957

MEMBERS OF THE JURY:

This case is submitted to you on special issues. By this method you are not to return a verdict for one or the other of the parties, but you will make answers to the questions propounded to you in this charge by unanimous vote without any regard to the judgment to be entered herein. You will make these answers upon a separate sheet of paper which will be furnished you and your answers will constitute your verdict in this case.

You are instructed that in your deliberations you will not discuss or mention any fact or matter except the evidence admitted before you under the rulings of the Court, and your verdict must be based on such evidence. You will not discuss or consider what effect any of your answers may have upon the rights of the parties nor the judgment that

may be rendered by the Court in this case, as it will be the duty of the Court to enter judgment in accordance with the law after your verdict has been returned.

You are the exclusive judges of the credibility of the witnesses and the weight and sufficiency of the evidence admitted before you, but the law you are bound under your oaths to take from the Court as given you in this charge and be governed thereby.

By the term 'preponderance of the evidence,' wherever it may appear in this charge, is meant the greater weight and degree of credible evidence before you.

You are instructed that in your deliberations in this case, you shall not give any consideration to any testimony regarding the issuance of any patent or patents, nor the filing of any application therefor.

SPECIAL ISSUE NO. 1

Do you find from a preponderance of the evidence that, during March, 1952, it was mutually agreed between Robert Garrett and Cecil Bond that, during the time the G & G Fishing Tool Service, Inc., was handling the K & G magnetic fishing tool, no one was to disassemble said tool?

Answer "We do" or "We do not".

If you have answered Special Issue No. 1 "We do", and only in that event, then answer:

SPECIAL ISSUE NO. 2

Do you find from a preponderance of the evidence that, in making such agreement, if any you have so found, it was mutually understood that its purpose was to guard against anyone determining the internal construction of the tool by way of examining the interior thereof?

Answer "We do" or "We do not".

If you have answered Special Issue No. 2 "We do" and only in that event, then answer:

SPECIAL ISSUE NO. 3

Do you find from a preponderance of the evidence that, at sometime before August 15, 1952, the G & G Fishing Tool Service, Inc., acting by or through any of its agents, servants, incorporators or directors, disassembled the K & G Oil Tool and Service Company, Inc., fishing tool for the purpose of making an examination thereof?

Answer "We do" or "We do not".

If you have answered Special Issue No. 3 "We do", and only in that event, then answer:

SPECIAL ISSUE NO. 4

Do you find from a preponderance of the evidence that such act, if any you have so found, as inquired about in special issue number 3, was done for the purpose of making an examination of the interior construction of the K & G tool in question?

Answer "We do" or "We do not".

If you have answered Special Issue No. 4 "We do", and only in that event, then answer:

SPECIAL ISSUE NO. 5

Do you find from a preponderance of the evidence that a K & G magnetic fishing tool was disassembled by the G & G Fishing Tool Service, Inc., acting by or through some of its agents, servants or representatives, for the purpose of making a similar tool?

Answer "We do" or "We do not".

If you have answered Special Issue No. 5 "We do", and only in that event, then answer:

SPECIAL ISSUE NO. 6

Do you find from a preponderance of the evidence that the defendant, G & G Fishing Tool Service, Inc., acting through its agents, servants or representatives, used the information obtained by disassembling, if you have so found, the K & G magnetic fiishing tool to make one substantially the same as the K & G magnetic tool?

Answer "We do" or "We do not".

If you have answered Special Issue No. 5 "We do", and only in that event, then answer:

SPECIAL ISSUE NO. 7

Do you find from a preponderance of the evidence that the fishing tool, if any you have so found, so made in response to Special Issue Number 5, is substantially the same tool that is now being used by the G & G Fishing Tool Service, Inc., G & G Fishing Magnets, Inc., and their affiliated interests in their operations?

Answer "We do" or "We do not".

SPECIAL ISSUE NO. 8

Do you find from a preponderance of the evidence that before March, 1952, the internal construction of the K & G magnetic fishing tool was not known to persons engaged in the oil well fishing tool business?

Answer "It was not known" or "It was known".

SPECIAL ISSUE NO. 9

Do you find from a preponderance of the evidence that

the G.& G Magnetic Fishing Tool was constructed from information obtained exclusively from sources other than the disassembly, if any, of the K & G Magnetic Fishing Tool?

Answer "We do" or "We do not".

SPECIAL ISSUE NO. 10

When do you find from a preponderance of the evidence the plaintiffs or either of them or their officers acquired knowledge that A. C. Green, Jr., was making a magnetic fishing tool?

Answer by stating the date by year and month.

SPECIAL ISSUE NO. 11

Do you find from a preponderance of the evidence that from the date that you have stated in response to Special Issue No. 10 to the date of the filing of this suit, the plaintiffs or either of them or their officers knew that the defendants were manufacturing magnetic fishing tools?

Answer "We do" or "We do not".

SPECIAL ISSUE NO. 12

Do you find from a preponderance of the evidence that the plaintiffs or either of them or their officers were familiar in a general way with the cost of the manufacturing of magnetic fishing tools such as those which were being manufactured by the defendants herein?

Answer "We do" or "We do not".

SPECIAL ISSUE NO. 13

Do you find from a preponderance of the evidence that the plaintiffs or their representatives, either before or during

the use of the warehouse at Duncan, Oklahoma, by the K & G Oil Tool and Service Company, Inc., ever disclosed to any person, other than employees or others in a confidential relationship, the internal construction of the K & G magnetic fishing tool?

Answer "We do" or "We do not".

SPECIAL ISSUE NO. 14

Do you find from a preponderance of the evidence that the internal construction of the K & G magnetic tool can be determined by an examination of the tool without disassembling it, to the extent that another tool can be constructed that would perform the same function by substantially the means employed in the K & G magnetic tool?

Answer "We do" or "We do not".

SPECIAL ISSUE NO. 15

What amount of net profits do you find from a preponderance of the evidence was derived by G & G Fishing Magnets, Inc., G & G Fishing Tool Service, Inc., and their affiliated interests up to and before February 4, 1954, by reason of the leasing and renting of the G & G magnetic fishing tool in question?

Answer by stating the amount in dollars and cents.

Immediately after your retirement select one of your members as your foreman, and, after his selection, let your foreman preside over your deliberations, and when you have reached a verdict let it be recorded on the separate sheet of paper which is furnished you herewith for that purpose, and let it be signed by the foreman of your selection.

/s/ PHIL E. WOODRUFF
Judge"

makes he following respective findings:

SPECIAL ISSUE NO. 1

Answered: "We do."

SPECIAL ISSUE NO. 2

Answered: "We do."

SPECIAL ISSUE NO. 3

Answered: "We do."

SPECIAL ISSUE NO. 4

Answered: "We do."

SPECIAL ISSUE NO. 5

Answered: "We do."

SPECIAL ISSUE NO. 6

Answered: "We do."

SPECIAL ISSUE NO. 7

Answered: "We do."

SPECIAL ISSUE NO. 8

Answered: "It was not known."

SPECIAL ISSUE NO. 9

Answered: "We do not."

SPECIAL ISSUE NO. 10

Answered: "August, 1952."

SPECIAL ISSUE NO. 11

Answered: "We do."

SPECIAL ISSUE NO. 12

Answered: "We do."

SPECIAL ISSUE NO. 13

Answered: "We do not."

SPECIAL ISSUE NO. 14

Answered: "We do."

SPECIAL ISSUE NO. 15

Answered: "$22,000.00."

/s/ H. E. HUGHES, *Foreman*

which findings were received by the Court and were filed and entered of record on the minutes of said Court; and it further appearing to the Court that plaintiffs K. & G. Oil Tool & Service Co., Inc., and John Henry Kirby, II, on the 21st day of March, 1956, duly filed in this cause a proper motion to disregard the jury's said finding upon Special Issue No. 14 on the ground that there was no evidence to raise such issue or to sustain the finding of the jury thereon and that the issue was not an ultimate fact issue, that reasonable notice of such motion as provided by law was given to defendants G. & G. Fishing Tools Service, G. & G. Fishing Magnets, Inc., A. C. Green, Jr., A. C. Green, Sr., Cecil V. Bond, and C. P. Buckler through their attorneys of record, and that on hearing of such motion both parties came by their attorneys, and the Court having heard and considered such motion, the evidence and argument of counsel, and being of the opinion that there was no evidence to raise said issue, that the jury finding in answer thereto has no support in the evidence and that such motion should be granted and the jury's said finding on Special Issue No. 14 should be dis-

regarded, it is accordingly ordered that said motion be, and it is hereby, granted and that the jury's said finding in answer to Special Issue No. 14 be, and it is hereby, disregarded;

Whereupon, plaintiffs having made, and the Court having duly heard and considered the motion for judgment, and such additional considerations and findings as were authorize by law having been had and made, and the Court being of the opinion that judgment should be rendered, as follows, for the plaintiffs,

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED by the Court on this the ..... day of March, 1956, that the said plaintiffs K & G Oil Tool & Service Co., Inc., and John Henry Kirby, II, do have and recover of and from the said defendants G & G Fishing Tools Service, G & G Fishing Magnets, Inc., A. C. Green, Jr., A. C. Green, Sr., Cecil V. Bond, and C. P. Buckler, jointly and severally, the sum of TWENTY-TWO THOUSAND ($22,000.00) DOLLARS, together with interest thereon at the rate of six per cent (6%) per annum from this date and all costs of suit, for which let execution issue, and

IT IS FURTHER ORDERED, ADJUDGED AND DECREED that as found by the jury defendants G & G Fishing Tools Service, G & G Fishing Magnets, Inc., A. C. Green, Jr., A. C. Green, Sr., Cecil V. Bond, and C. P. Buckler did in breach of the confidential relationship existing between them and the plaintiffs K & G Oil Tool & Service Co., Inc., and John Henry Kirby, II, copy the magnetic fishing tool of plaintiffs K & G Oil Tool & Service Co., Inc., and John Henry Kirby, II, and after copying same did manufacture, lease, operate, use, and distribute for use by others said magnetic fishing tool, and did so from at least August, 1952, and have

been so engaged down to the present time, and unless restrained as prayed herein and enjoined will continue to make, copy, use, lease, manufacture, and distribute, and sell said tool, to the irreparable injury of plaintiffs herein because of the inability of plaintiffs to trace each and every such tool and determine how much loss of revenue would result to plaintiffs from such illegal and unlawful use of the copied tool, and particularly since the magnetic fishing tool so manufactured, used, leased, and distributed and operated by defendants is substantially the same as the magnetic fishing tool of plaintiffs and works in substantially the same fashion, so that persons using the magnetic fishing tool of defendants would in large measure fail and refuse to hire and use plaintiffs' magnetic fishing tool; wherefore, for the reasons herein set forth, it is accordingly

ORDERED, ADJUDGED AND DECREED that the said defendants and each of them be and they are hereby perpetually enjoined from and they and each of them shall desist from making, using, leasing, selling, manufacturing, operating, copying or otherwise representing themselves to be the makers, manufacturers, lessors or operators of magnetic fishing tools substantially the same as that of plaintiffs herein, and from using in any way the confidential information obtained by defendants from an examination of plaintiffs' magnetic fishing tool; and this judgment shall become final after the expiration of thirty (30) days after the date of rendition of this judgment or order overruling an original or amended motion for new trial, as provided by law, at which time let the writ of injunction issue.

To which judgment of the Court the defendants then and there in open court excepted.

DATED AND ENTERED this 24th day of September, 1956.

/s/.....

Judge

TEXAS SUPREME COURT

No. A-6577

K & G Oil Tool & Service Co., et al.
v.
G & G Fishing Tool Service, et al.

From Harris County, Sixth District

JUDGMENT ON ORIGINAL HEARING

March 12, 1958

This cause came on to be heard on writ of error to the Court of Civil Appeals for the Sixth Supreme Judicial District, and the original transcript and transcript showing the proceedings had in the Court of Civil Appeals having been duly considered, because it is the opinion of the Court that there was error in the judgment of the Court of Civil Appeals, but no error in that of the District Court, it is therefore adjudged, ordered and decreed that the judgment of the Court of Civil Appeals be, and hereby is, reversed and set aside and that the judgment of the District Court be, and hereby is, in all things affirmed; that respondents, G & G Fishing Tools Service, G & G Fishing Magnets, Inc., A. C. Green, Jr., A. C. Green, Sr., Cecil V. Bond and C. P. Buckler, and the surety on their appeal bond, Hartford Accident and Indemnity Co., Hartford, Conn., pay all costs in this behalf expended and incurred in this Court and the Court of Civil Appeals; that petitioners, K & G Oil Tool & Service Co., Inc., et al and John H. Kirby, II, have and recover of and from said respondents and surety (above named) the costs by them expended and incurred in said Courts, and that this decision be certified to the District Court of Harris County, Texas for observance.

(Opinion of the Court by Associate Justice Norvell).

NOTE: This judgment set aside. See minutes of June 4, 1958.

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TEXAS SUPREME COURT

No. A-6577

June 4, 1958

K & G Oil Tool & Service Co., et al.
v.
G & G Fishing Tool Service, et al.

From Harris County
Sixth District

JUDGMENT ON FIRST REHEARING

This day came on to be heard respondents' motions for rehearing in the above numbered and styled cause, and after due consideration, it is the opinion of the Court that said motions should be granted to the extent of modifying the trial court's judgment by eliminating therefrom the money judgment awarded against C. P. Buckler and in favor of the petitioners, but that in all other respects such motions should be overruled, it is therefore ordered that respondents' motions be, and hereby are, granted to the extent above indicated, and that said motions be, and hereby are, in all other respects overruled; that the judgment heretofore entered herein in the minutes of March 12, 1958 be, and hereby is, set aside, and that the following judgment be entered in lieu thereof, to-wit:

This cause came on to be heard on writ of error to the Court of Civil Appeals for the Sixth Supreme Judicial District, and the original transcript and the transcript showing the proceedings had in the Court of Civil Appeals having been duly considered, because it is the opinion of the Court that there was error in the judgment of the Court of Civil Appeals, but no error in the judgment of the District Court other than can be cured by a modification thereof, it is therefore adjudged, ordered and decreed that the judg-

ment of the Court of Civil Appeals be, and hereby is, reversed and set aside; that the judgment of the District Court be, and hereby is, modified or reformed so as to eliminate therefrom the recovery of a money judgment from defendant, C. P. Buckler, by plaintiffs (petitioners), K & G Oil Tool & Service Co., Inc., and John Henry Kirby, II, and that as thus modified or reformed the judgment of the District Court be, and hereby is, affirmed; that respondents, G & G Fishing Tools Service, G & G Fishing Magnets, Inc., A. C. Green, Jr., A. C. Green, Sr., Cecil V. Bond and C. P. Buckler, and the surety on their appeal bond, Hartford Accident & Indemnity Co., Hartford, Conn.; pay all costs in this behalf expended and incurred in this Court and the Court of Civil Appeals; that petitioners, K & G Oil Tool & Service Co., Inc., and John H. Kirby II have and recover of and from said respondents and surety (above named) the costs by them expended and incurred in said Courts, and that this decision be certified to the District Court of Harris County, Texas, for observance.

(Opinion of the Court on Motion for Rehearing by Associate Justice Norvell. Dissenting Opinions on Motion for Rehearing by Associate Justices Smith and Walker.)

* * *

TEXAS SUPREME COURT

No. A-6577

K & G Oil Tool & Service Co., et al., v. G & G Fishing Tool Service, et al.	From Harris County, Sixth District

JUDGMENT ON SECOND MOTION FOR REHEARING

July 16, 1958

This day came on to be heard respondents' second motion for rehearing, on the opinion and judgment of June 4, 1958, in the above numbered and styled cause, and, after due consideration, it is ordered that said motion be, and hereby is, overruled.

TITLE 35 UNITED STATES CODE

101 Inventions patentable

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

102 Conditions for patentability; novelty and loss of right to patent.

A person shall be entitled to a patent unless —

(a) the invention was known or used by others in this country or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

§154 Contents and term of patent

Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, of the right to exclude others from making, using, or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

TITLE 15 UNITED STATES CODE

(Sherman Act)

"§1. Trusts, etc., in restraint of trade illegal; exception of resale price agreements; penalty

Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal: *Provided*, . . ." [The proviso is lengthy but has no pertinency to this suit so it is not printed.]

EXCERPT FROM KIRBY-K&G PETITION FOR WRIT OF ERROR IN TEXAS SUPREME COURT

Sixth Point (Restated)

The Court of Civil Appeals erred in holding that no damages or injunctive relief can be afforded Petitioners after issuance of patent.

Statement Under Sixth Point

The trial court submitted in Special Issue No. 15 the amount of net profits made by respondents from their fishing tools to February 4, 1954, and it allowed the damages found in answer to this issue and in addition granted a permanent injunction against respondents' making, copying, or using tools substantially the same as petitioners'.

At no time have petitioners acknowledged that the issuance of the patent is material to the decision of this case. At all times have petitioners insisted this is *not* a case involving petitioner Kirby's patent. This Court is respectfully referred to the discussion with the trial court at pages 631 and 634 of the Statement of Facts.

The *respondents* asserted in motions for instructed verdict that petitioners could recover damages only to February 4, 1954, the date of issuance of patent, Paragraphs V and VIII, Motion for Instructed Verdict, T. pp. 36, 37, and claimed petitioners admitted this, T. p. 44, but such assertion [illegible]e nowhere supported by the record in this cause.

The finding of the Court of Civil Appeals that petitioners admitted they were not entitled to any damages after a patent was issued to Kirby on February 4, 1954, is without support in the record.

Argument and Authorities Under Sixth Point

This action is *not* an action to recover for patent infringement. It is an action brought in the state courts for legal and equitable relief in redressing the wrongful appropriation and use of petitioners' trade secrets by respondents in breach of the confidential relationship existing.

It is of course the law of Texas that it is the duty of the trial court in a case of which the court has jurisdiction to afford *complete relief*. Rule 301, *Texas Rules of Civil Procedure*.

To deny, in a case properly before the Texas court, relief from tortious wrongdoing, as the Court of Civil Appeals would do, and set a time limit on that right by reference to possible relief elsewhere is clearly contrary to this fundamental rule. It is also contrary to the weight of authority elsewhere, in the federal courts as well as the state courts.

Of course there can be no doubt that this cause is *not* a patent suit and that it is a cause of which the federal courts do *not* have jurisdiction (absent diversity of citizenship, of course). *Hyde Corporation* v. *Huffines*, Fort Worth, 1957, 303 S.W. 2d 865. Please see also *Vandeveer* v. *Erie Malleable Iron Co.*, 3 C.C.A., 1956, 238 F. 2d 519, certiorari denied 353 U.S. 937, 77 S. Ct. 815, 1 L. Ed. 2d 760; *Wells* v. *Universal Pictures Co.*, 2 C.C.A., 1948, 166 F. 2d 690.

The leading authority upholding the right of the state court to enjoin improper use of knowledge of a trade secret against the contention that resort must be had to relief afforded by the patent laws is *Becher* v. *Contoure Laboratories*, 1929, 279 U.S. 388, 49 S. Ct. 356, 73 L. Ed. 752. Numerous other cases in a number of jurisdictions are collected in the annotation in 170 A.L.R., at p. 481, where the cases are summarized as follows:

"Nearly all of the cases agree that relief in respect of a defendant's use or disclosure of a secret invention, discovery, etc., is to be granted, or withheld, without regard to questions of patentability."

The Court of Civil Appeals' reference to the case of *Conmar Products Corporation* v. *Universal Slide Fastener Co.*, 2 C.C.A., 1949, 172 F. 2d 150, is a choice of a minority view, and that view is contrary to the view of the United States Supreme Court in the *Becher* case, as well as (as Judge Learned Hand acknowledges in the course of his opinion) to the views of the Circuit Court of Appeals for the Sixth and Seventh Circuits, expressed in *Shellmar Products Co.* v. *Allen-Qualley Co.*, 7 C.C.A. 1930, 36 F. 2d 623 and 87 F. 2d 104, and *A. O. Smith Corp.* v. *Petroleum Iron Works Co.*, 6 C.C.A., 1934, 73 F. 2d 531 and 74 F. 2d 934.

Nor is the *Brown & Root* v. *Jacques*, Austin Civ. App., 1936, 98 S.W. 2d 257, opinion referred to by the Court to the contrary, for of course until the patent issues the inventor has no choice of remedies — he must rely on the law protecting his trade secret.

A complete answer to the argument that the right to the court's protection of a trade secret expires on issuance of a patent is found in the careful analysis of the problem of protection found in *Franke* v. *Wiltschek*, 2 C.C.A., 1953, 209 F. 2d 493, where the court granted injunctive relief even after expiration of the patent, and in *Smith* v. *Dravo Corporation*, 7 C.C.A., 1953, 203 F. 2d 369, where injunctive relief was given even where the secret had been made public by application for a patent which was not granted.

As a matter of principle, what reason can be given for denying a litigant properly before the Texas court relief to which by all rules of law he is entitled? How does it

affect his right in the *Texas court* that he might have a choice of remedy elsewhere? What justice dictates permitting a wrongdoer to complete expensive litigation elsewhere by denying to the injured party full relief? How can a rule be considered equitable which would enable a wrongdoer to continue his wrong by paying a small judgment, limited as to time, for monetary damages?

The Texas courts have always been zealous to grant equitable relief against continuing wrongs, *Burrell* v. *Michaux*, Com. B., 1926, 286 S.W. 176, opinion adopted, and *Boozier* v. *McDonald*, Galv. Civ. App., 1949, 177 S.W. 2d 869.

The basic law of Texas embodied in Rule 301, T.R.C.P., is that a litigant is entitled in the Texas court to a judgment giving him *all the relief to which he is entitled at law and in equity.*

No. A-6577

IN THE

Supreme Court of Texas

K & G Oil Tool & Service Co., Inc., et al., *Petitioners*

-versus-

G & G Fishing Tool Service, et al., *Respondents*

Amendment to Petition for Writ of Error And Argument Thereon

To The Honorable Supreme Court of Texas:

Come now K & G Oil Tool & Service Co., Inc., and John H. Kirby, II, petitioners, and respectfully present this amendment to their Petition for Writ of Error to the Honorable Court of Civil Appeals for the Sixth Supreme Judicial District of Texas at Texarkana, received and filed in the above cause on the 18th day of November, 1957, and said writ of error having been granted by this Honorable Supreme Court on the 11th day of December, 1957.

Respondents' Additional Points of Error

Eighth Point

The Court of Civil Appeals erred in sustaining Respondents' Point 4, which in substance urged that the Trial Court committed error in entering its injunction herein because the injunction would be an unreasonable restraint of trade in violation of the anti-trust laws of the State of Texas.

Ninth Point

The Court of Civil Appeals erred in sustaining Respondents' Point 5, which in substance urged that the Trial Court committed error in entering its injunction herein because the injunction was defective in form in that it was indefinite and ambiguous and not complete in itself.

Argument and Authorities Under Eighth and Ninth Points

The Court of Civil Appeals gave no ground in its opinion for sustaining respondents' Points 4 and 5. The Court lumped them together with Point 9 and, after discussing this assignment of error, merely stated, "Points 4, 5, and 9 are sustained." 305 S.W. 2d at page 642.

With reference to the Eighth Point, it requires no citation of authority to establish the proposition that the Texas anti-trust laws do not invalidate injunctions issued against a defendant enjoining him from using a plaintiff's trade secret obtained in violation of trust and confidence.

As to the form of injunction, it was based on the findings of the jury that the respondents were wrongfully making and using magnetic fishing tools "substantially the same as" petitioners'. No complaint has been made by the

respondents that this finding of the jury was based on insufficient evidence. The respondents are definitely informed of the acts they are restrained from doing. They can reasonably understand and obey its terms. *Villalobos* v. *Holguin*, 146 Tex. 474, 208 S.W. 2d 871 (1948).

In *Cottingham v. Engler*, 178 S.W. 2d 148 (TCA 1944) no writ history, the plaintiffs sought and were granted a decree enjoining a seller of an insurance agency from soliciting renewals of insurance policies. The court held that it was not necessary to name the five thousand policyholders whose policies had been issued through the agency, that the defendant and a former employee having been with the agency for a number of years before the sale, "We do not think it unreasonable to assume that these gentlemen were sufficiently familiar with the business of the agency and its clientele as to avoid violating the injunction. . . . If appellants exercise ordinary care to avoid violating the injunction, no occasion will arise for its violation, either wittingly or unwittingly" 178 S.W. 2d at page 151.

Petitioner respectfully submits, as the most casual examination of respondents' Points 4 and 5 shows, such points were without merit. Apparently as simply a convenient way to comply with the rule requiring disposition by a Court of Civil Appeals of all points submitted by an appellant, the Honorable Court of Civil Appeals sustained the points since they dealt with the injunction, the discussion in its opinion shows that the decision actually turned on the respondents' Point 9.

WHEREFORE, PREMISES CONSIDERED, petitioners pray that this amendment to their application for writ of error be considered as a part thereof, *nunc pro tunc*, and the cause having been heretofore fully submitted, briefed, argued, heard, and considered, that the judgment of this Honorable Court heretofore entered be affirmed in all things.

Respectfully submitted,

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By .....

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No. 443

IN THE

Supreme Court of the United States

October Term, 1958

G & G Fishing Magnets, Inc., et al., *Petitioners*

v.

K & G Oil Tool & Service Co., Inc., et al., *Repondents*

On Petition for Writ of Certiorari to the Supreme Court of Texas

BRIEF OF RESPONDENTS

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No. 443

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On Petition for Writ of Certiorari to the Supreme Court of Texas

BRIEF OF RESPONDENTS

To the Honorable, the Chief Justice of the United States and the Associate Justices of the Supreme Court of the United States:

Respondents, K & G Oil Tool & Service Co., Inc. and John H. Kirby II oppose the granting of the petition for writ of certiorari to review the judgment of the Supreme Court of Texas in this cause.

Statement

This is a "trade secret" case involving a magnetic fishing tool. It was brought in the state district court by these Respondents as plaintiffs against Petitioners for violation of trust and confidence and breach of contract in that Petitioners wrongfully copied and used a magnetic fishing tool substantially the same as the magnetic tool invented by Respondent Kirby and manufactured and rented by Respondent K & G Oil Tool & Service Co., Inc., his licensee. The magnetic fishing tool in question is a device that is attached to the end of the drill pipe for recovering pieces of drilling bits and other foreign metallic materials from the well bore during drilling operations on oil wells.

Respondents after a jury trial recovered damages and the trial court also issued its injunction perpetually restraining Petitioners from wrongfully copying, making and using a magnetic fishing tool substantially the same as that of Respondents'.

The Texas Court of Civil Appeals reversed and rendered the judgment of the trial court. 305 S.W. 2d 637. On writ of error to the Supreme Court of Texas that court reversed the Court of Civil Appeals and affirmed the judgment of the trial court, except that the money judgment awarded against C. P. Buckler, one of the Respondents, was eliminated. 314 S.W. 2d 782, 793.

Respondent Kirby had been working on the invention of a magnetic fishing tool for a number of years. Finally in August 1951 he filed an application for a patent which was amended by a subsequent application filed in 1952. In 1951 Respondent K & G Oil Tool & Service Co., Inc. was formed and licensed by Kirby to manufacture these

tools, and they were then rented on a job basis for use in the oil fields. Much work and ingenuity was applied to the development of this successful tool.

In March 1952 K & G Oil Tool & Service Co., Inc. entered into an agreement with Petitioners whereby Petitioners agreed to handle and sublease the K & G tools to drilling contractors or others engaged in the oil well drilling business for twenty-five per cent of the rentals charged for use of the tools and further agreed not to break down or disassemble the K & G tool. K & G also leased from Petitioners certain space in a warehouse located in Duncan, Oklahoma for the storage of its magnetic tools. According to the jury's findings and the judgment of the trial court Petitioners, in violation of their agreement, disassembled and took apart the K & G tool and thereby learned its internal proportions, qualities and construction. They were thus enabled to copy and build substantially similar tools, and they then entered into competition with Respondents in the magnetic fishing tool business.

This suit was filed in September 1953. Kirby's patent disclosing the construction of his magnetic fishing tool did not issue until February 2, 1954. Petitioners have never applied for nor do they own a patent covering the tools which they have manufactured and used.

Objections to Jurisdiction

I. *No Federal Questions are Presented*

1. Respondents' suit did not involve the validity, infringement or enforcement of any patent rights under the laws of the United States. The basis of this trade secret

case is a breach of a contract and the wrongful disregard of the confidential relations by Petitioners. The holding of this Court in an opinion by Mr. Justice Holmes in *Becher v. Contoure Laboratories*, 279 U.S. 388, 390, 391, is in point:

> "It is not denied that the jurisdiction of the Courts of the United States is exclusive in the case of suits arising under the patent laws, but it was held below that the suit in the State Court did not arise under those laws. It is plain that that suit had for its cause of action the breach of a contract or wrongful disregard of confidential relations, both matters independent of the patent law, and that the subject matter of Oppenheimer's claim was an undisclosed invention which did not need a patent to protect it from disclosure by breach of trust. *Irving Iron Works v. Kerlow Steel Flooring Co.*, 96 N. J. Eq. 202, 126 A. 291; *DuPont de Nemours Powder Co. v. Masland*, 244 U.S. 100, 37 S. Ct. 575, 61 L. Ed. 1016."

2. No question involving the patent laws as it affected Respondents' right of recovery was raised or presented by Petitioners.

A. *In the trial court:* Neither in their pleadings, exceptions to the evidence or to the jury charge nor in their motion for new trial (assignments of error) did the Petitioners present any question pertaining to the patent laws. Petitioners' pleadings show that they defended this action as a trade secret case and not one involving a controversy under the patent laws. They merely contended that the patent covering Respondent Kirby's invention having issued on February 2, 1954 Respondents were not entitled to an injunction extending beyond

the date of issuance of the patent since this constituted a publication of Respondents' trade secret. This defense did not involve any rights under the patent laws.

B. *In the Supreme Court of Texas:* Not until Petitioners filed their first motion for rehearing did they attempt to raise a federal question. In this motion they urged that it was error to grant an injunction after issuance of the patent "because, *inter alia*, the Federal Government has exclusive jurisdiction over protection of inventions within the public knowledge." (Petitioners' First Motion for Rehearing in Supreme Court of Texas, p. 54). This assignment of error was after the judgment of the Supreme Court of Texas and was insufficient to present the state court a question under the patent laws. They did urge the point in the Supreme Court of Texas as they had in the trial court that issuance of the patent was publication of the trade secret, all without reference to any Acts of Congress.

3. No question involving the Sherman Anti-trust Act as it affected Respondents' right of recovery was raised or presented by Petitioners.

A. *In the trial court:* Neither in their pleadings, exceptions to the evidence or to the jury charge nor in their motion for new trial (assignments of error) did Petitioners raise any question concerning the Sherman Anti-trust Act. Petitioners did urge that the agreement between Petitioners and Respondents was an agreement not to compete and hence not enforceable, but the Sherman Anti-trust Act was not pleaded or urged as a defense.

B. *In the Supreme Court of Texas;* Not until Petitioners filed their first motion for rehearing did they attempt to raise a federal question. In this motion they

urged "that the monopoly Petitioners seek is in violation of the anti-trust laws of Texas and of the United States." (Petitioners' First Motion for Rehearing in Supreme Court of Texas, p. 48). This assignment of error was after the judgment of the Supreme Court of Texas and was insufficient to present to the state court a federal question under the Sherman Anti-trust Act. It would seem that this proposition is predicated on the false premise that the decree of injunction entered by the trial court which enjoins Petitioners from violating Respondents' trade secrets contravenes the Sherman Anti-trust Act.

Under Section 1257(3) of the *Judicial Code* (Title 28, Sect. 1257(3) U.S.C.A.) this Court has the discretion to review a judgment of the highest court of a state by writ of certiorari "where any title, right, privilege or immunity *is specially set up* or *claimed* under the Constitution, treaties or statutes of . . . the United States."

The record in this case not disclosing that the Petitioners timely raised the federal questions in the trial court in accordance with state law, this Court is without power to decide whether any federal questions were improperly decided by the state court. *Edelman v. People of State of California*, 344 U.S. 357, 358, 359 and cases there cited.

Claim of jurisdiction cannot be sustained by reference to briefs and statements which are not part of the record. *Lynch v. New York ex rel. Pierson*, 293 U.S. 52.

The attempt to raise a federal question for the first time after judgment on a motion for rehearing comes too late

unless the state court actually entertains the question and decides it. *Fullerton v. State of Texas*, 196 U.S. 192; *Waters-Pierce Oil Company v. Texas*, 212 U.S. 112; *Rooker v. Fidelity Trust Co.*, 261 U.S. 114, 117; *Herndon v. State of Georgia*, 295 U.S. 441, 443.

The record, including the opinion of the Supreme Court of Texas supplemented by that court's certificate, reflects that there was no federal question timely and properly raised before judgment involving either the patent laws or the Sherman Anti-trust Act. The state court did not entertain or decide the federal questions attempted to be raised by Petitioners in their first motion for rehearing. See opinion on the motion for rehearing, 314 S.W. 2d at 791.

II. *Judgment of the Supreme Court of Texas Rests on Adequate State Grounds*

Even assuming Petitioners properly raised the federal questions urged in their petition for writ of certiorari, nevertheless the judgment of the Supreme Court of Texas is based on adequate and independent state grounds. *Black v. Cutter Laboratories*, 351 U.S. 292; *Herb v. Pitcairn*, 324 U.S. 117, 125-126; *Williams v. Kaiser*, 323 U.S. 471, 477.

The only questions presented to and decided by the Supreme Court of Texas were questions involving the application of long established equitable principles, state law to the facts of this case. The judgment and opinion is grounded entirely on state law. No federal questions were decided, discussed or even mentioned in the court's opinion. The questions determined, all based on equitable principles and local law, were these:

(1) Respondents were entitled to full relief, both legal and equitable, for the protection of their trade secret. The basis of a trade secret case is a "breach of a contract or wrongful disregard of confidential relations."

(2) Respondents' magnetic fishing tool was entitled to be protected as a trade secret even if it was not subject to patent under Acts of Congress and novelty and invention are not requisite for a trade secret as they are for patentability.

(3) The injunction was for the protection of a trade secret which is a well recognized objective of equity and not to enforce a covenant to manufacture or sell a device to only one person and the injunction is not contrary to public policy which discourages contracts which tend to lessen competition.

(4) It is not a valid objection to the injunction decree that it extends beyond the date of the issuance of the patent since injunctive relief is not based upon the patent but upon the Petitioners having gained knowledge of such device at a time prior to its being patented through an abuse of the confidential relation and breach of a contract.

(5) Respondents' suit was not barred by laches and stale demand.

(6) The form of the injunction decree was sufficiently definite to be enforced.

(7) On motion for rehearing, the court modified the judgment of the trial court by eliminating therefrom the money judgment awarded against Petitioner C. P. Buckler in favor of Respondents.

There were no federal questions embraced within the scope of or subsidiary to the court's decision on the above questions.

Reasons For Not Granting The Writ

In this trade secret case there are no special or important reasons for granting the writ of certiorari. Supreme Court Rule 19. No constitutional questions are involved. No important policy issues are presented concerning the balance between the state and federal judicial systems, the relations of the branches of the federal government or the fundamental rights of the individual in relation to government. While this case is important to the parties, it does not involve any principles the settlement of which are of special significance to the public.

I. There is no conflict in the judgment and decision of the state court in the application of trade secret law under the facts in this case and the cases heretofore decided by this Court. *E. I. DuPont de Nemours Powder Co. v. Masland*, 244 U.S. 100; *Becher v. Contoure Laboratories*, 279 U.S. 388. Mr. Justice Holmes in the last cited case distinguishes between patent and trade secret suits. The holding in that case is particularly apt as applied to the facts of the instant case. The Texas Supreme Court in its decision has followed the principles of law enunciated in those cases. There have been numerous decisions of inferior federal courts which have likewise followed the holding of this Court in these cited cases. See Comment Note, 170 A.L.R. 449, et seq. for cases from all jurisdictions, and American Law Institute, *Restatement of Torts*, Vol. 4, sect. 757 which paraphrases the language in these opinions.

While the state court has not decided a federal question of substance, it is respectfully submitted if it has then its decision is in accord with applicable decisions of this Court and a majority of other American courts that have handed down decisions and written on the subject.

On the question of issuance of an injunction which enjoins the use of a device that has been patented subsequent to the institution of the trade secret suit, the Supreme Court of Texas chose to follow *Smith v. Dravo Corporation*, 203 F. 2d 369, by the Seventh Circuit, which applied, in a diversity of citizenship case, the law of Illinois and the law of Pennsylvania under the Illinois doctrine of conflicts of law; *Shellmar Products Co. v. Allen-Qualley Co.*, 87 F. 2d 104, by the Seventh Circuit; *A. O. Smith Corporation v. Petroleum Iron Works*, 73 F. 2d 531, 74 F. 2d 934, by the Sixth Circuit; *Franke v. Wiltschek*, 209 F. 2d 493, by the Second Circuit, which applied, in a diversity of citizenship case, the law of New York; *Tabor v. Hoffman*, 118 N.Y. 30, 37, 23 N.E. 12, 13, by the New York Court of Appeals; and *Adolph Gottscho, Inc. v. American Marking Corporation*, 18 N.J. 467, 114 A. 2d 438, by the Supreme Court of New Jersey. The state court refused to follow the Court of Appeals for the Second Circuit in *Conmar Products Corporation v. Universal Slide Fastener Co.*, 172 F. 2d 150 and in *Picard v. United Aircraft Corp.*, 128 F. 2d 632.

II. The Sherman Anti-trust Act seeks to prevent practices which create monopolies or restrain trade or restrict competition. Any acts having this effect Congress determined to be against the public interest.

This trade secret case involved no contract, covenant, combination or conspiracy which could possibly be in re-

straint of trade or that restricted competition. The only contract or agreement in this record was the one whereby Petitioners agreed to handle, store and sublease the K & G tools to drilling contractors or others engaged in the oil well drilling business with the further agreement not to break down or disassemble the K & G tool. It was not an exclusive arrangement the effect of which was to lessen competition. It did create a fiduciary relation between the parties, the violation of which by Petitioners brought on this lawsuit.

The protection of Respondents' rights by the decree of injunction did not restrain trade. It only preserved Respondents' rights to their invention or trade secret which had been wrongfully appropriated by Petitioners. It prevented Petitioners from unjustly enriching themselves at the expense of Respondents.

Conclusion

We believe no federal questions have been timely raised or decided in the Supreme Court of Texas; that the judgment of the state court below is based on adequate state gorunds independent of any federal question; and that the judgment and decision of the Supreme Court of Texas is correct. We, therefore, respectfully pray that the petition for writ of certiorari to the Supreme Court of Texas be denied

Respectfully submitted,

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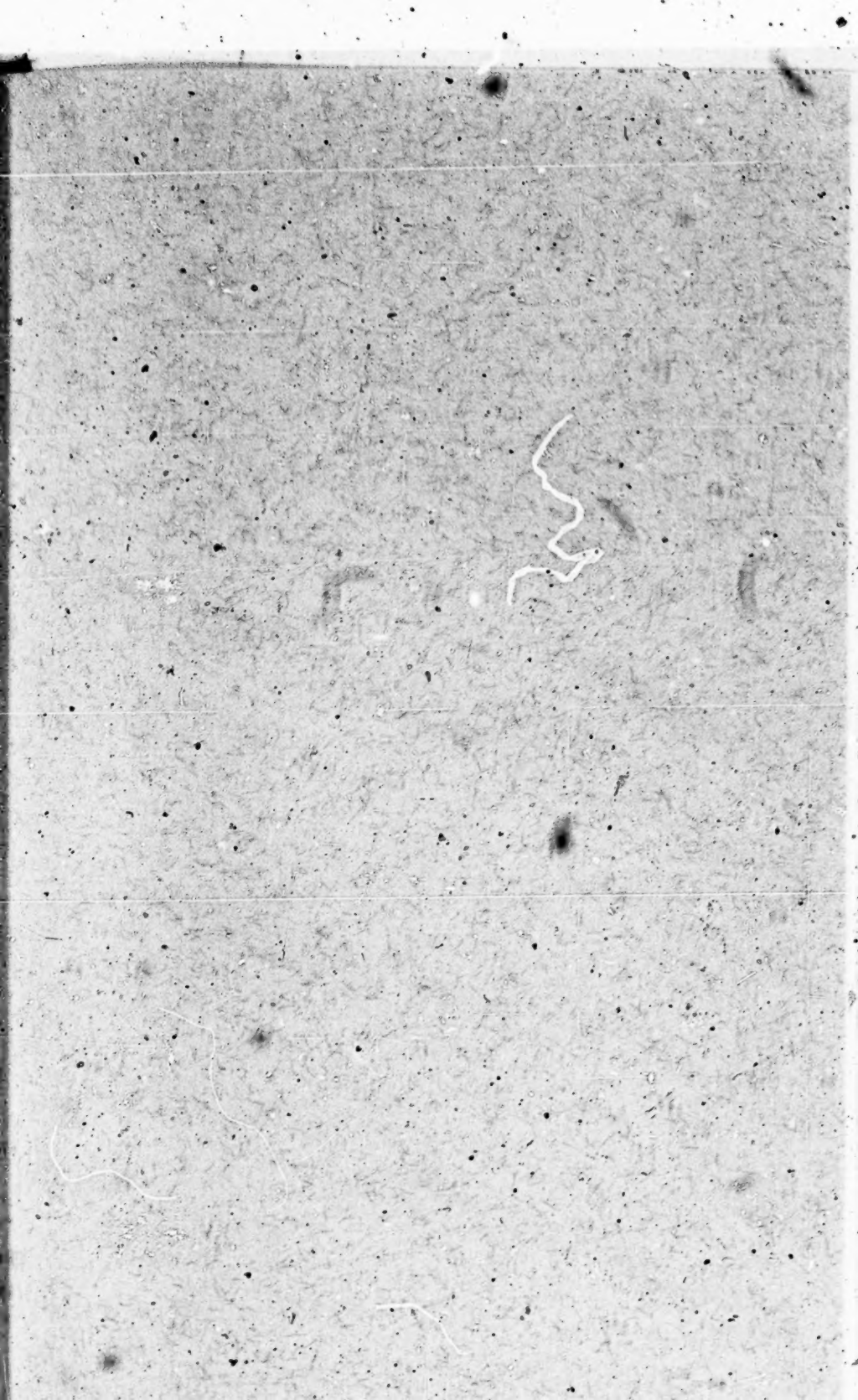
Certificate of Service

I hereby certify that a true copy of this Brief of Respondents was delivered to Tom Arnold, counsel of record for Petitioners, by depositing the same in a United States post office with first-class postage prepaid addressed to him at 248 Esperson Building, Houston 2, Texas, his post office address, on this the_____day of November, 1958.

_____



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IN THE

Supreme Court of the United States

OCTOBER TERM, 1958

No. 443

G. & G. FISHING MAGNETS, INC., ET AL.,
Petitioners

v.

K. & G. OIL TOOL AND SERVICE COMPANY, ET AL.

PETITION FOR REHEARING

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January 19, 1959

PRESS OF BYRON S. ADAMS, WASHINGTON, D. C.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1958

No. 443

G. & G. FISHING MAGNETS, INC., ET AL.,
Petitioners

v.

K. & G. OIL TOOL AND SERVICE COMPANY, ET AL.

PETITION FOR REHEARING

G & G Fishing Magnets, Inc., G & G Fishing Tool Service, A. C. Green, A. C. Green, Jr. and C. P. Buckler, Petitioners herein, respectfully pray (1) that this Court grant rehearing from its order issued November 24, 1958, denying a writ of certiorari to review various judgments of the Supreme Court of the State of Texas entered in the above-entitled cause, on March 12, 1958 and June 4, 1958, and that court's denial of a Motion for Rehearing entered on July 16, 1958; and (2) that, upon such rehearing, this Court issue a writ of certiorari to review these judgments and orders of the Texas Supreme Court.

By order of Mr. Justice Black, dated December 17, 1958, the time for filing this petition for rehearing has been extended to and including January 19, 1959.

REASONS FOR GRANTING REHEARING

In this case the Texas Supreme Court has in effect reinstated a judgment of its trial court, which, in addition to awarding money damages, entered an injunction perpetually restraining petitioners from making and using a magnetic fishing tool, found to have been copied, by way of breach of confidence, from that conceived by respondent, John H. Kirby II and manufactured and marketed by respondent, K. & G. Oil Tool and Service Company. The problem here flows principally from the fact that the injunction was issued *in perpetuo* notwithstanding respondents' seeking and obtaining a patent (Patent No. 2,668,077, issued February 2, 1954) for the "secret" thus allegedly misused by petitioners and the consequent disclosure, under the patent laws, to the public generally of this asserted secret.[1]

1. Urging that no federal questions were presented (Br. in Opp., pp. 3-5, 9-10) and that the decision below was supported by adequate state grounds (Br. in Opp., pp. 7-9), respondents opposed certiorari basically on the theory that the effect to be given to its conversion of its trade secret into a published patent, open to the public generally, was purely a matter of state law. While settled doctrine clearly establishes this patent question to be controlled by federal law, the fact that respondents have grounded their opposition upon a contrary theory, coupled with the Court's denial of certiorari without, in accordance with its usual practice, setting out the reasons therefor, makes it appro-

[1] The petition also urged that the perpetual injunction reinstated by the court below was improper in view of the Sherman Antitrust Act, 35 U. S. C. 1. While not discussed in this petition for rehearing, we reserve the right, should rehearing be granted, to brief and argue this question as well.

priate to reemphasize the federal nature of this question. This is particularly so since the petition for certiorari otherwise fully showed, we submit, ample cause for review by this Court.[2]

The fundamentally federal nature of patent questions is demonstrated by the facts that the various laws relative to patents have been enacted by Congress and this, pursuant to Section 8 of Article I of the Constitution, which vests in Congress power:

> "'. . . to promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.'"

Since the patent laws are thus federal laws, questions arising with respect thereto of necessity are federal questions, to be determined in accordance with federal law and policy.

The federal nature of patent questions is also manifest from 28 U. S. C. 1338, which provides in subsection (a):

> "'The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, . . . Such jurisdiction shall be exclusive of the courts of the states in patent . . . cases.'"

Certainly, by vesting such exclusive jurisdiction in the federal courts over patent cases, Congress intended

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[2] The petition showed in detail that this federal question had been timely raised in the state courts (Pet., pp. 8-13), that the federal and state courts are in conflict thereon (Pet., pp. 19-21), that the decision below on this issue is incorrect (Pet., pp. 21-22, 25-31), and that the problem is of importance and arises frequently (Pet., pp. 23-25).

that the applicable law, whether statutory or common law, would be federal in nature.

While it is established that this exclusive jurisdiction is limited to patent "cases" as distinct from patent "questions" (see *Pratt* v. *Paris Gas Light & Coke Co.*, 168 U. S. 255, 259 (1897); *Vanderveer* v. *Erie Malleable Iron Co.*, 238 F. 2d 510, 513 (C. A. 3, 1956), *certiorari denied*, 353 U. S. 937 (1957)), so that state courts are not without jurisdiction to pass on patent questions, such state jurisdiction is not as of right as it would be were purely state law questions involved, but rather, a matter of federal grace. As formulated in the *Vanderveer* case, *supra*, this Court "has held that a state court is *empowered* to determine questions . . . arising under the patent laws, . . ." (emphasis supplied) 238 F. 2d at 513; see, also, *New Marshall Engine Co.* v *Marshall Engine Co.*, 223 U. S. 473 (1912). There thus can be no doubt that patent questions are governed by federal law even though they may be considered and passed on by state courts. See, also, *MacGregor* v. *Westinghouse Electric & Mfg. Co.*, 329 U. S. 402, 406-408 (1947); *Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U. S. 249, 255-258 (1945); *Sola Electric Co.* v *Jefferson Electric Co.*, 317 U. S. 173 (1942).

The various cases relied upon by respondents (Br. in Opp., p. 10) do not show that state law is controlling. *Smith* v. *Dravo Corp.*, 203 F. 2d 369 (C. A. 7, 1953), while involving both trade secrets and patents, raised no question as to the effect of a public disclosure by the issuance of a patent upon the propriety of an injunction on the trade secret count; moreover, the reference to state law related solely to the trade secret count. Such, also, was the situation in *Franke* v. *Wiltschek*, 209 F. 2d 493 (C. A. 2, 1953). On the other hand,

Shellmar Products Co. v. *Allen-Qualley Co.*, 87 F. 2d 164 (C. A. 7, 1936) *certiorari denied*, 301 U. S. 695 (1937), and *A. O. Smith Corp.* v. *Petroleum Iron Works Co*, 73 F. 2d (C. A. 6, 1934), 74 F. 2d 934 (C. A. 6, 1935), while adopting a contrary view on the problem here involved, clearly do so as a matter of federal law; in neither case, as respondents implicitly concede, did the courts even suggest that state law is governing on this issue. The state cases cited by respondents (*Tabor* v. *Hoffman*, 118 N. Y. 30 and *Adolph Gottscho, Inc.* v. *American Marking Corp.*, 18 N. J. 467, do not mention the state vs. federal law problem. Thus, to the extent involved therein, these cases, far from giving comfort to respondents, support our position that the question is one of federal law.

2. On this federal question, the Texas Supreme Court, we believe, reached a grossly incorrect result. Since the effect of respondents' obtaining a patent on their asserted trade secret together with their marketing it under that patent is, under the patent laws, to disclose it in its entirety to the public generally, there no longer is any secrecy to protect by way of injunction. Consequently, the primary purpose served by enjoining the petitioners from utilizing the information now converted to a matter of public knowledge is necessarily that of punishment. As stated in *Conmar Products Corp.* v. *Universal Slide Fastener*, 172 F. 2d 150 (C. A. 2, 1949), with regard to the approach which the court below adopted (172 F. 2d at 156):

> "The doctrine must rest upon the theory that it is a proper penalty for the original wrong to deny the wrong doer resort to the patent; and for that we can find no support in principle."

The impropriety of using an injunction to impose punishment is made even clearer in *Hecht Co.* v. *Bowles*, 321 U. S. 321 (1944), where this Court stated (321 U. S. at 329-330):

> ". . . historic injunctive process was designed to deter, not to punish. The essence of equity jurisdiction has been the power of the Chancellor to do equity and to mould each decree to the necessities of the particular case. . . . The qualities of mercy and practicality have made equity the instrument for nice adjustment and reconciliation between the public interest and private needs as well as between competing private claims."

Not only does *Hecht Co.* v. *Bowles, supra*, demonstrate that the use of an injunction to impose punishment, as was done here, departs radically from the traditional functions and purposes of the equity jurisdiction but it also sets out additional considerations which apply here with particular force and which, as so applied, serve further to reveal the error of the court below. Since one of the primary aims of the patents laws is that "the consuming public at large shall receive the benefits of the unrestricted exploitation, by others, of its disclosures" (*Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U. S. 249, 255 (1945)), "any attempted reservation or continuation in the patentee or those claiming under him of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent laws" (*id.* at p. 256).

When the patent laws' strong purpose of unrestricted exploitation, *by others*, of a patent disclosure for the benefit of the consuming public is taken in account, as it must be under *Hecht Co.* v. *Bowles*,

supra, and especially when there are coupled therewith, "the qualities of mercy and practicality," it is plain that the granting of a perpetual injunction here was erroneous. For the effect of the injunction is forever to close an important avenue for passing the benefits of respondents' alleged invention to the consuming public. This impropriety is brought into even sharper focus when it is also recalled that, as stated in *Virginian R. Co.* v. *System Federation*, 300 U. S. 515, 552 (1937)

> "Courts of equity may, and frequently do, go much further both to give and withhold relief in furtherance of the public interest than they are accustomed to go when only private interests are involved."

See, also, *Yakus* v. *United States*, 321 U. S. 414, 441 (1944). Thus, the basic infirmity in the Texas court's decision is that it subordinates the public interest to a desire to impose a punitive sanction upon an alleged wrong doer.

The justification, adopted by the cases (*e.g.*, *Shellmar Products Co.* v. *Allen Qualley Co.*, 87 F. 2d 104 (C. A. 7, 1936), *certiorari denied*, 301 U. S. 695 (1937)) followed by the court below, that by his wrong doing, the so-called wrong doer thereby removes himself from the general public, overlooks the significant fact that the effect of the perpetual injunction is not limited to depriving the wrong doer of the benefits of the disclosure resulting from the issuance of the patent; it also operates to shut off from these benefits that portion of the public which would have been served by the alleged wrong doer. "The interest in good faith is not a universal touchstone which can be made the means of sacrificing a public interest secured by an appropri-

ate exercise of the legislative power." *Scott Paper Co.* v. *Marcalus Mfg. Co., supra,* at p. 257.

CONCLUSION

For these reasons and those set out in the petition for a writ of certiorari, wherein it is shown, in addition, that this question is important, that it arises frequently both in state and federal courts, and that there is a conflict thereon among these courts, it is respectfully submitted that this petition for rehearing should be granted and, upon rehearing, a writ of certiorari should issue.

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January 19, 1959

Certificate of Counsel

We, the undersigned Counsel in the above cause, do hereby certify that the above and foregoing Petition for Rehearing is presented in good faith and not for delay.

/s/ MELVIN RICHTER
Melvin Richter

/s/ TOM ARNOLD
Tom Arnold